

PRELIMINARY OFFICIAL STATEMENT DATED JULY 22, 2022

NEW ISSUE

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds (as hereinafter defined) will not be included in the gross income of holders of such bonds for federal income tax purposes, and is not a specific tax preference for purposes of computation of the alternative minimum tax imposed on certain individuals. In the further opinion of Bond Counsel, the Bonds are exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. See "TAX MATTERS" herein.



Vermont
Bond Bank

\$49,180,000
VERMONT BOND BANK

\$23,205,000*
2022 Series 2 Bonds
(Local Investment Bonds)

\$25,975,000*
2022 Series 3
Refunding Bonds

Dated: Date of Delivery

Due: December 1, as shown on the inside cover

The 2022 Series 2 Bonds (Local Investment Bonds) (the "2022 Series 2 Bonds") and the 2022 Series 3 Refunding Bonds (the "2022 Series 3 Bonds" and together with the 2022 Series 2 Bonds, the "Bonds") of the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the "Bond Bank") are issuable only as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as the registered Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry-only form, in the denomination of \$1,000 or any integral multiple thereof. Purchasers of beneficial interests will not receive certificates representing their interest in the Bonds. So long as Cede & Co. is the registered Bondholder, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Principal of and semiannual interest will be paid, as set forth herein, directly to DTC by U.S. Bank Trust Company, National Association, as Trustee and Paying Agent, so long as DTC or its nominee, Cede & Co., is the registered Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participant as more fully described herein. The Bonds are subject to redemption as more fully set forth herein.

The Bonds are direct and general obligations of the Bond Bank payable out of any revenues or funds subject to the provisions of resolutions now or hereafter pledging particular monies, assets or revenues to particular notes or bonds of the Bond Bank as more fully described in this Official Statement. The Bond Bank does not possess any ad valorem taxing powers. The State of Vermont is not obligated to pay the principal of and interest on the Bonds, and neither the faith and credit nor the taxing power of the State of Vermont is pledged to the payment of such principal and interest.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Locke Lord LLP, Boston, Massachusetts. Omnicap Group LLC, El Segundo, California, serves as financial advisor to the Bond Bank. It is expected that the 2022 Series 2 Bonds in definitive form will be available for delivery to DTC in New York, New York or its custodial agent on or about August 11, 2022, and the 2022 Series 3 Bonds in definitive form will be available for delivery to DTC in New York, New York or its custodial agent on or about September 2, 2022.

Morgan Stanley

Citigroup

_____, 2022

* Preliminary; subject to change.

\$23,205,000*
Vermont Bond Bank
2022 Series 2 Bonds
(Local Investment Bonds)

| <u>Maturity*</u> <u>(December 1)</u> | <u>Principal*</u> | <u>Interest</u> <u>Rate</u> | <u>Price or</u> <u>Yield</u> | <u>CUSIP†</u> <u>Number</u> |
|--|-------------------|--------------------------------|---------------------------------|--------------------------------|
| 2023 | \$ 910,000 | | | |
| 2024 | 955,000 | | | |
| 2025 | 960,000 | | | |
| 2026 | 970,000 | | | |
| 2027 | 975,000 | | | |
| 2028 | 980,000 | | | |
| 2029 | 1,185,000 | | | |
| 2030 | 1,000,000 | | | |
| 2031 | 1,010,000 | | | |
| 2032 | 1,020,000 | | | |
| 2033 | 1,005,000 | | | |
| 2034 | 1,255,000 | | | |
| 2035 | 1,025,000 | | | |
| 2036 | 1,035,000 | | | |
| 2037 | 1,050,000 | | | |
| \$5,780,000* ___% Term Bonds maturing December 1, 2043* to yield ___% - CUSIP _____† | | | | |
| \$1,200,000* ___% Term Bonds maturing December 1, 2047* to yield ___% - CUSIP _____† | | | | |
| \$890,000* ___% Term Bonds maturing December 1, 2052* to yield ___% - CUSIP _____† | | | | |

\$25,975,000*
Vermont Bond Bank
2022 Series 3 Refunding Bonds

| <u>Maturity*</u> <u>(December 1)</u> | <u>Principal*</u> | <u>Interest</u> <u>Rate</u> | <u>Price or</u> <u>Yield</u> | <u>CUSIP†</u> <u>Number</u> |
|---|-------------------|--------------------------------|---------------------------------|--------------------------------|
| 2023 | \$4,275,000 | | | |
| 2024 | 4,260,000 | | | |
| 2025 | 1,940,000 | | | |
| 2026 | 1,945,000 | | | |
| 2027 | 1,960,000 | | | |
| 2028 | 2,010,000 | | | |
| 2029 | 2,045,000 | | | |
| 2030 | 2,050,000 | | | |
| 2031 | 2,055,000 | | | |
| 2032 | 2,070,000 | | | |
| 2033 | 420,000 | | | |
| 2034 | 390,000 | | | |
| 2035 | 215,000 | | | |
| 2036 | 195,000 | | | |
| 2037 | 145,000 | | | |

* Preliminary; subject to change.

† CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the Bondholders and the Bank makes no representations with respect to such numbers or undertakes any responsibility for their accuracy. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

INTRODUCTION TO THE OFFICIAL STATEMENT

The following is furnished solely to provide limited introductory information regarding the \$23,205,000* Vermont Municipal Bond Bank 2022 Series 2 Bonds (Local Investment Bonds) (the “2022 Series 2 Bonds”) and the \$25,975,000* Vermont Municipal Bond Bank 2022 Series 3 Refunding Bonds (the “2022 Series 3 Bonds” and together with the 2022 Series 2 Bonds, the “Bonds”) and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing elsewhere in this Official Statement, including the appendices hereto. Investors should read the entire Official Statement to obtain information essential to making an informed decision.

| | |
|---|---|
| Issuer: | Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the “Bond Bank”) |
| Purpose: | <p>The 2022 Series 2 Bonds are being issued: (i) to make loans to Governmental Units (defined herein) through the purchase of municipal bonds issued by such Governmental Units, (ii) to fund interest on a portion of the 2022 Series 2 Bonds, (iii) to make a deposit into the Reserve Fund (defined herein) held by the Trustee under the General Resolution (defined herein), and (iv) to pay a portion of the costs of issuance of the 2022 Series 2 Bonds.</p> <p>The 2022 Series 3 Bonds are being issued: (i) to current refund such portions of the Bond Bank’s outstanding 2012 Series 1 Bonds, 2012 Series 3 Refunding Bonds, 2012 Series 4 Bonds, and 2012 Series 5 Refunding Bonds listed in Appendix F to this Official Statement (the “Refunded Bonds”) and (ii) to pay costs of issuance of the 2022 Series 3 Bonds.</p> |
| Security: | The Bonds are general obligations of the Bond Bank and are secured on a parity with other bonds issued and to be issued (collectively, the “General Resolution Bonds”) under the Bond Bank’s General Resolution (defined herein). The General Resolution Bonds are secured by a pledge of the municipal bonds issued by Governmental Units and purchased by the Bond Bank (“Municipal Bonds”) and the amounts required to be paid by such Governmental Units to the Bond Bank pursuant to loan agreements for principal and interest on the Municipal Bonds (“Municipal Bonds Payments”). The General Resolution Bonds are further secured under the Act (defined herein) by an intercept by the State Treasurer of State funding to any Governmental Units that are in default on their Municipal Bonds Payments. The General Resolution Bonds are further secured by the Reserve Fund (defined herein). If there is a draw on the Reserve Fund that reduces the amount therein below the Required Debt Service Reserve (defined herein), the State is legally authorized, but not legally obligated, to appropriate annually the amount required to replenish the Reserve Fund. See “SECURITY FOR THE BONDS.” |
| Proposed Modifications to the General Resolution: | In the Series Resolutions for the Bonds the Bond Bank approved proposed modifications to the General Resolution which will become effective upon consent of the holders of two-thirds of then Outstanding General Resolution Bonds. By purchase of the Bonds, the holders thereof are consenting to such proposed modifications. See “PROPOSED MODIFICATIONS TO THE GENERAL RESOLUTION.” |
| Redemption Provisions: | <p>The Bonds maturing on and after December 1, 20__ are subject to redemption at the option of the Bond Bank, at any time on and after December 1, 20__, in whole or in part, at par plus accrued interest to the date of redemption. The Bonds are also subject to mandatory sinking fund redemption as described herein.</p> <p>See “THE BONDS – Redemption Provisions.”</p> |
| Denominations: | The Bonds will be issued in denominations of \$1,000 and integral multiples thereof. |
| Local Investment Bonds: | The Bond Bank has designated the 2022 Series 2 Bonds as Local Investment Bonds, both to highlight the local impact of the projects capitalized by the 2022 Series 2 Bonds and to alert individual investors to the reduced barriers to investing in Vermont’s local communities through the \$1,000 denominations referred to above. See “THE BONDS – Designation of 2022 Series 2 Bonds as Local Investment Bonds.” |
| Ratings: | S&P Global Ratings (“S&P”) and Moody’s Investors Service, Inc. (“Moody’s”) have rated the Bonds “AA+”, and “Aa2”, respectively. See “RATINGS.” |

* Preliminary; subject to change.

| | | |
|---|--|--|
| Principal Payments: | 2022 Series 2 Bonds: Annually, each December 1, commencing December 1, 2023*. 2022 Series 3 Bonds: Annually, each December 1, commencing December 1, 2023*. | |
| Interest Payments: | Semi-annually, each June 1 and December 1, commencing December 1, 2022. | |
| Tax Status: | Interest on the Bonds will not be included in the gross income of the holders thereof for federal income tax purposes. The Bonds are exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. See “TAX MATTERS.” | |
| Professional Consultants to the Bond Bank: | <i>Financial Advisor:</i> | Omnicap Group LLC El Segundo, California |
| | <i>Bond Counsel:</i> | Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. Boston, Massachusetts |
| | <i>Trustee and Paying Agent:</i> | U.S. Bank Trust Company, National Association Boston, Massachusetts |
| Registration: | The Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. | |
| Legal Matters: | All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel. The opinion will be substantially in the form attached hereto as Appendix C. Certain legal matters will be passed on for the Underwriters by their counsel, Locke Lord LLP, Boston, Massachusetts. | |
| Authority for Issuance: | The Bonds are being issued pursuant to the Vermont Bond Bank Law, being Public Act No. 216 of the Laws of Vermont of the 1969 Adjourned Session of the Vermont General Assembly, as amended (the “Act”), the Bond Bank’s General Bond Resolution adopted on May 3, 1988 (the “General Resolution”) and the Series Resolution authorizing the issuance of the 2022 Series 2 Bonds (the “2022 Series 2 Resolution”) and the Series Resolution authorizing the issuance of the 2022 Series 3 Bonds (the “2022 Series 3 Resolution” and together with the 2022 Series 2 Resolution, the “Series Resolutions”), each adopted June 27, 2022. | |
| Conditions Affecting Issuance: | The Bonds are offered when, as and if issued, subject to the approving legal opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, and subject to the other conditions contained in the Contract of Purchase between the Bond Bank and Morgan Stanley & Co. LLC, on behalf of itself and Citigroup Global Markets Inc. (together, the “Underwriters”). | |
| Delivery: | The 2022 Series 2 Bonds are expected to be issued on or about August 11, 2022. The 2022 Series 3 Bonds are expected to be issued on or about September 2, 2022. | |
| Book-Entry Only: | The Bonds will be issued as book-entry only securities through DTC. | |
| Limitations on Offering or Reoffering Securities: | No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Bond Bank. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. | |
| No Litigation: | There is no litigation of any nature now pending, or to the knowledge of the Bond Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds. See “LITIGATION AND OTHER PROCEEDINGS.” | |
| Continuing Disclosure: | The Bond Bank will undertake to provide continuing disclosure with respect to the Bonds. See “CONTINUING DISCLOSURE.” | |

Questions regarding the Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the Bond Bank’s audited financial reports and the Resolution may be obtained from the Bond Bank’s financial advisor, Omnicap Group LLC: (310) 318-3095.

DEBT SUMMARY

The summary data in the table below is furnished solely as a summary and does not purport to be comprehensive. All such data is subject in all respects to more detailed descriptions contained elsewhere in this Official Statement. Investors should read the entire Official Statement to obtain information essential to making an informed decision. See “OUTSTANDING BONDS AND OTHER OUTSTANDING INDEBTEDNESS.”

Outstanding Bonds as of July 1, 2022

| | |
|--------------------------|-------------------|
| General Resolution Bonds | \$587,472,000 |
| Other Debt* | <u>86,480,000</u> |
| Total Outstanding Debt | \$673,952,000 |

* Represents VSCS Program Bonds (as defined herein).

[THIS PAGE INTENTIONALLY LEFT BLANK]

The information set forth herein has been obtained from the Bond Bank and other sources which are believed to be reliable, but information from other than the Bond Bank is not to be construed as a representation by the Bond Bank. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bond Bank since the date hereof, except as expressly set forth herein. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Bond Bank.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. All quotations from and summaries and explanations of provisions of laws, resolutions, the Bonds and other documents herein do not purport to be complete; reference is made to said laws, resolutions, the Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the principal office of the Bond Bank. In connection with this offering, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower or yields higher than the public offering prices or yields stated on the inside cover page hereof and said offering prices or yields may be changed from time to time by the Underwriters.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Bond Bank. These forward-looking statements speak only as of the date of this Official Statement and are subject to change without notice. The Bond Bank disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Bond Bank’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INTRODUCTION TO THE OFFICIAL STATEMENT | i |
| DEBT SUMMARY | iii |
| INTRODUCTORY STATEMENT | 1 |
| VERMONT BOND BANK | 3 |
| Purposes of the Bond Bank | 3 |
| Powers of the Bond Bank | 4 |
| Organization and Membership of the Bond Bank | 5 |
| THE BONDS | 7 |
| Description | 7 |
| Designation of 2022 Series 2 Bonds as Local Investment Bonds | 7 |
| Projects Financed by the 2022 Series 2 Bonds | 8 |
| Book-Entry-Only System | 9 |
| Redemption Provisions | 11 |
| Exchange and Transfer | 11 |
| SOURCES AND USES OF FUNDS | 12 |
| REFUNDING OF THE REFUNDED BONDS | 12 |
| SECURITY FOR THE BONDS | 13 |
| Loan Agreements and Municipal Bonds Payments | 13 |
| Pledge of Municipal Bonds and Municipal Bonds Payments | 14 |
| Fees and Charges | 14 |
| Intercept of State Funds and Other Enforcement of Municipal Bonds | 15 |
| Reserve Fund | 16 |
| PROPOSED MODIFICATIONS TO THE GENERAL RESOLUTION | 17 |
| OUTSTANDING BONDS AND OTHER OUTSTANDING INDEBTEDNESS | 20 |
| CERTAIN INVESTMENT CONSIDERATIONS | 21 |
| Impact of COVID-19 Pandemic | 21 |
| School Consolidation | 21 |
| Climate Resiliency | 22 |
| Cybersecurity | 22 |
| AGREEMENT OF THE STATE AND THE BOND BANK | 22 |
| BONDS AS LEGAL INVESTMENTS | 22 |
| SECURITY FOR PUBLIC DEPOSITS | 23 |
| TAX MATTERS | 23 |
| LITIGATION AND OTHER PROCEEDINGS | 24 |
| APPROVAL OF LEGALITY | 24 |
| CONTINUING DISCLOSURE | 24 |
| FINANCIAL ADVISOR | 25 |
| FINANCIAL STATEMENTS | 25 |
| UNDERWRITING | 25 |

RATINGS.....25

MISCELLANEOUS26

Appendix A – Summary of Certain Provisions of the General ResolutionA-1

Appendix B – Governmental Units and their Municipal BondsB-1

Appendix C – Proposed Form of Opinion of Bond CounselC-1

Appendix D – Vermont Bond Bank Audited Financial Statements as of December 31, 2021D-1

Appendix E – Continuing Disclosure UndertakingE-1

Appendix F – Refunded BondsF-1

\$49,180,000*
Vermont Bond Bank

\$23,205,000*
2022 Series 2 Bonds (Local Investment Bonds)

\$25,975,000*
2022 Series 3 Refunding Bonds

INTRODUCTORY STATEMENT

This Official Statement is provided for the purpose of setting forth information concerning the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the “Bond Bank”) in connection with the sale of the 2022 Series 2 Bonds (Local Investment Bonds) (the “2022 Series 2 Bonds”) and the 2022 Series 3 Refunding Bonds (the “2022 Series 3 Bonds” and together with the 2022 Series 2 Bonds, the “Bonds”). The Bonds are issued pursuant to the Vermont Bond Bank Law, being Public Act No. 216 of the Laws of Vermont of the 1969 Adjourned Session of the Vermont General Assembly, as amended (the “Act”).

The Bonds are to be issued under and are to be secured by the Bank’s General Bond Resolution adopted on May 3, 1988 (the “General Resolution”) and, for the 2022 Series 2 Bonds, the Series Resolution authorizing the issuance of the 2022 Series 2 Bonds adopted on June 27, 2022 (the “2022 Series 2 Resolution”) and, for the 2022 Series 3 Bonds, the Series Resolution authorizing the issuance of the 2022 Series 3 Bonds adopted on June 27, 2022 (the “2022 Series 3 Resolution” and together with the 2022 Series 2 Resolution, the “Series Resolutions” and collectively with the General Resolution, the “Resolution”).

The Bond Bank is a body corporate and politic with corporate succession, and is constituted as an instrumentality exercising public and essential governmental functions of the State of Vermont (the “State”).

Pursuant to the Act, the Bond Bank is authorized to issue bonds for, among other purposes, (1) providing funds to enable the Bond Bank to make loans to counties, municipalities or other public bodies of the State, including public school districts (the “Governmental Units”), (2) refunding bonds previously issued by the Bond Bank, and (3) establishing or increasing reserves with which to secure or to pay debt service and all other costs and expenses of the Bond Bank incident to and necessary or convenient to carry out its corporate purposes.

Loans to Governmental Units are made through the direct purchase by the Bond Bank from such Governmental Units of their bonds, notes or evidences of debt constituting either general obligations of the Governmental Units (the “General Obligation Bonds”) or obligations of the Governmental Units payable solely out of the earnings or profits derived from the operation of a public utility (the “Revenue Bonds”). General Obligation Bonds and Revenue Bonds are sometimes collectively referred to herein as “Municipal Bonds.” A portion of the proceeds of the 2022 Series 2 Bonds will be used to make loans to the Governmental Units identified in Table 1 of Appendix B by the purchase, at an aggregate purchase price of \$23,565,218* of General Obligation Bonds (the “2022 Municipal Bonds”) issued by such Governmental Units. For a list of all of the Governmental Units that have Municipal Bonds outstanding that were purchased by the Bond Bank pursuant to the General Resolution and the outstanding balances of such Municipal Bonds, see Table 2 of Appendix B hereto.

The Bonds. The 2022 Series 2 Bonds are being issued to provide monies which will be used: (i) to make loans to the municipalities secured by the 2022 Municipal Bonds; (ii) to make a deposit into the Reserve Fund (as hereinafter defined) established with U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) pursuant to the General Resolution; (iii) to fund interest on a portion of the 2022 Series 2 Bonds, and (iv) to pay costs of issuance of the 2022 Series 2 Bonds.

* Preliminary; subject to change.

The 2022 Series 3 Bonds are being issued to provide monies: (i) to current refund such portions of the Bond Bank's 2012 Series 1 Bonds, 2012 Series 3 Refunding Bonds, 2012 Series 4 Bonds, and 2012 Series 4 Refunding Bonds listed in Appendix F (collectively, the "Refunded Bonds"); and (ii) to pay costs of issuance of the 2022 Series 3 Bonds. See "SOURCES AND USES OF FUNDS" herein and Appendix B and Appendix F hereto.

Security for the Bonds. The Bonds will constitute general obligations of the Bond Bank, and the full faith and credit of the Bond Bank are pledged for the payment of principal, redemption premium, if any, and interest thereon. The Bonds and other bonds issued or Outstanding on a parity therewith under the General Resolution (collectively, the "General Resolution Bonds") are further secured by the pledge of the Municipal Bonds and the amounts paid by the Governmental Units or required to be paid by the Governmental Units to the Bond Bank pursuant to the Loan Agreements for principal and interest on the Municipal Bonds (the "Municipal Bonds Payments") and the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the General Resolution, except the Rebate Fund.

Pursuant to the Act, the State Treasurer may intercept State funding to Governmental Units that are in default on their Municipal Bonds Payments to the Bond Bank. The Loan Agreements provide that Municipal Bonds Payments are due to the Bond Bank on the first day of the month prior to the principal and interest payment dates on the General Resolution Bonds. Accordingly, the intercept by the State Treasurer is scheduled to occur prior to the principal and interest payment dates on the General Resolution Bonds. See "SECURITY FOR THE BONDS – Intercept of State Funds and Other Enforcement of Municipal Bonds."

The General Resolution Bonds are further secured by the Vermont Bond Bank Revenue Bond Reserve Fund (the "Reserve Fund"). The Reserve Fund is funded in an amount equal to the least of (i) maximum annual debt service coming due in any year on each series of General Resolution Bonds, (ii) 125% of average annual debt service on each series of General Resolution Bonds or (iii) 10% of the proceeds of each series of General Resolution Bonds (the "Required Debt Service Reserve"). Moneys in the Reserve Fund are applied to the payment of the interest on and principal of General Resolution Bonds, as they become due and payable, to the extent other monies of the Bond Bank, including without limitation, Municipal Bonds Payments and intercepted State funding, if any, are not then available. The Act provides that any draw on the Reserve Fund shall be replenished by appropriation of the General Assembly of the State. While the General Resolution Bonds and the replenishment obligation do not constitute a legally enforceable obligation of the State or create a debt on behalf of the State, Bond Counsel is of the opinion that the State, by its General Assembly, is legally authorized, but not legally obligated, to appropriate annually such sum to restore the Reserve Fund, all to the extent described under "SECURITY FOR THE BONDS – Reserve Fund" herein.

All General Resolution Bonds, notwithstanding their date of issuance, are secured equally and ratably by all of the above. Additional series of General Resolution Bonds may be authorized and issued by the Bond Bank pursuant to the General Resolution on a parity with the Bonds. The Bond Bank has issued \$2,352,587,000 in aggregate principal amount of General Resolution Bonds (including General Resolution Bonds issued to refund other General Resolution Bonds). For more information regarding parity General Resolution Bonds, see "OUTSTANDING BONDS AND OTHER OUTSTANDING INDEBTEDNESS" herein. The Bond Bank has not defaulted on its payments of General Resolution Bonds.

The Bond Bank is obligated to pay the principal of and interest on General Resolution Bonds only from pledged revenues or funds of the Bond Bank, and the State is not obligated to pay the principal of or interest thereon and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on General Resolution Bonds.

For information about the State, including a general description of the State's economy, reference is made to the State's most recent official statement or information statement. Copies of such official statement

or information statement as well as the State's most recent Annual Financial Report may be obtained upon written request from the office of the State Treasurer, 109 State Street, Montpelier, Vermont 05601-0564. No representation or warranty is made hereby, as to the timeliness or accuracy of the information contained in any such statements or reports.

Official Statement. There follows in this Official Statement a brief description of the Bond Bank together with summaries of the terms of the Bonds, the Resolution and certain provisions of the Act. All references herein to the Act and the Resolution are qualified in their entirety by reference to such law and such documents, copies of which are available from the Bond Bank, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Resolution. Terms not otherwise defined herein shall have the meanings given such terms in Appendix A and the Resolution.

VERMONT BOND BANK

The Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) was created by the Act in 1970 as a body corporate and politic with corporate succession and is constituted as an instrumentality exercising public and essential governmental functions of the State.

Purposes of the Bond Bank

It is the policy of the State, as declared in the Act, to foster and promote by all reasonable means the provision of adequate capital markets for the financing by Governmental Units of their respective public improvements and other municipal purposes from proceeds of their bonds and notes and to assist such Governmental Units in such financing by making funds available at reduced interest costs for orderly financing especially during periods of restricted credit or money supply, particularly for those Governmental Units not otherwise able to borrow for such purposes. In furtherance of this policy, the Bond Bank is empowered to issue its Bonds to make funds available at reduced rates and on more favorable terms for borrowing by such Governmental Units through the purchase by the Bond Bank of their Municipal Bonds.

Each Governmental Unit requesting the Bond Bank to purchase its Municipal Bonds submits an application to the Bond Bank. The Bond Bank underwrites the loans and approves or denies the applications based on creditworthiness. If approved, the Governmental Unit enters into a loan agreement (the "Loan Agreement") with the Bond Bank pursuant to which the Governmental Unit issues Municipal Bonds. The payment of principal and interest on the Municipal Bonds, together with other amounts available under the General Resolution, are required to be sufficient to pay principal, redemption premium, if any, and interest on the Bonds.

The directors of the Bond Bank consider and discuss each application for the purchase of Municipal Bonds in an open meeting and accept or reject each application. In considering each Governmental Unit's application the directors rely on the information contained therein and such additional information as the directors deem relevant and consult with the Executive Director and the Bond Bank's financial consultants.

General Obligation Bonds. The information regarding General Obligation Bonds considered by the directors includes, among other things, the following information supplied by each Governmental Unit: the amount of debt of each Governmental Unit, the amount by which such debt will be increased by the proposed purchase of the Governmental Unit's General Obligation Bonds, the state or local valuation, tax levy and taxes receivable, the population trends and the economic outlook for the community as supplied by the Governmental Unit, any litigation which may affect a Governmental Unit's ability to pay the debt service on its bonds, and any legal analysis with respect thereto. The directors' review of the sources of revenue as set forth above includes the nature of such revenue. Nothing has come to the attention of the directors that leads them to believe that such revenue of the Governmental Units making applications will or could be nonrecurring. In certain cases, the Governmental Unit expects to derive revenues from identified

sources to pay its General Obligation Bonds. While the general obligation of the Governmental Unit secures its General Obligation Bonds, the timing of the receipt of Municipal Bonds Payments could be affected by a shortfall in revenues.

Revenue Bonds. The information and other factors regarding Revenue Bonds considered by the directors include, among other things, the following: financial statements for a period of three years prior to the date of the application with at least the most recent year having been audited, certification that certain debt service requirements are expected to be met in the future, Vermont Public Utility Commission approval of new electrical generation capacity construction or construction of electric or transmission facilities, if applicable, the agreement to maintain the coverage of annual net revenues of the project or system to which the proceeds are loaned of not less than 1.25 times the annual debt service on the obligations payable from the subject system, the agreement to limit the issuance of additional bonds to pay for project costs, except when additional bonds are needed to keep the electric system operating or are for other limited purposes, and the agreement to maintain a contingency reserve fund to be funded over not more than four years from revenues at an amount not less than (i) 10% of the operating expenses determined every year based upon the prior fiscal year's actual operating expenses plus (ii) 10% of debt service on such Revenue Bonds for the prior fiscal year. The Bond Bank also requires that (i) the Governmental Unit shall at all times maintain rates, fees or charges which will produce revenues in each year sufficient, together with other moneys available therefor, to pay the debt service in each year on all Revenue Bonds issued for that system which are then outstanding as such Revenue Bonds become due and payable; and (ii) the Governmental Unit comply with certain reporting requirements. The directors may from time to time examine other or different information and impose other or additional requirements on Governmental Units. The directors may also, at their discretion, waive the delivery of information or the requirements imposed on any or all Governmental Units issuing Revenue Bonds. The directors of the Bond Bank may also consider and discuss any litigation which may affect the Governmental Units' ability to pay the debt service on their bonds and any legal analysis with respect thereto. The directors, however, can give no assurance that revenues of any system will be sufficient to meet the obligations of the Governmental Unit on the Revenue Bonds or other obligations of that system.

Under the General Resolution, the Bond Bank has heretofore purchased nine issues of Revenue Bonds in the aggregate principal amount of \$31,500,000, of which five issues remained outstanding as of July 1, 2022, in the aggregate principal amount of \$11,287,372.

Powers of the Bond Bank

In order to fulfill its purposes, the Bond Bank has, among others, the following powers:

(1) To borrow money and to issue its negotiable bonds or notes and to provide for and secure the payment thereof and to provide for the rights of the holders thereof, and to purchase, hold and dispose of any of its bonds or notes;

(2) To fix and revise from time to time and charge and collect fees and charges for the use of its services or facilities;

(3) In connection with any loan to a Governmental Unit, to consider the need, desirability or eligibility of the loan, the ability of the Governmental Unit to secure borrowed money from other sources and the costs thereof, and the particular public improvement or purpose to be financed by the Municipal Bonds to be purchased by the Bond Bank;

(4) To charge for its costs and services in review or consideration of any proposed loan to a Governmental Unit or purchase of Municipal Bonds of a Governmental Unit, and to charge therefor whether or not the loan is made or the Municipal Bonds are purchased;

(5) To establish any terms and provisions with respect to any purchase of Municipal Bonds by the Bond Bank, including date and maturities of the Municipal Bonds, provisions as to redemption or payment prior to maturity, and any other matters which are necessary, desirable or advisable in the judgment of the Bond Bank;

(6) To enter into and enforce all contracts necessary, convenient or desirable for the purposes of the Bond Bank or pertaining to any loan to a Governmental Unit or any purchase or sale of Municipal Bonds or other investments or to the performance of its duties and execution or carrying out of any of its powers under the Act;

(7) To purchase or hold Municipal Bonds at such prices and in such manner as the Bond Bank deems advisable, and to sell Municipal Bonds acquired or held by it at such prices without relation to cost and in such manner as the Bond Bank deems advisable, all consistent with the policy of the State as declared in the legislative findings of the Act;

(8) To invest any funds or monies of the Bond Bank not then required for loan to Governmental Units and for the purchase of Municipal Bonds in the same manner as permitted for investment of funds belonging to the State or held in the treasury, except as otherwise provided by the Act (however, the General Resolution limits investments to certain securities as hereinafter set forth);

(9) To prescribe any form of application or procedure required of a Governmental Unit for the loan or purchase of its Municipal Bonds and to fix the terms and conditions of that loan or purchase and to enter into agreements with Governmental Units with respect to any loan or purchase; and

(10) To do all things necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in the Act.

The Act requires approval by the State Treasurer and the Governor to make effective any resolution of the Bond Bank regarding the issuance of bonds. The Bond Bank will obtain such approval with respect to the Bonds prior to the sale thereof.

Organization and Membership of the Bond Bank

The membership of the Bond Bank consists of five directors: the State Treasurer, who is a director ex-officio, and four directors appointed by the Governor with the advice and consent of the State Senate for terms of two years. The four directors appointed by the Governor must be residents of the State and must be qualified voters therein for at least one year next preceding the time of appointment. Each director holds office for the term of their appointment and until a successor shall have been appointed and qualified. A director is eligible for reappointment. Any vacancy in a directorship occurring other than by the expiration of the term is filled for the unexpired term only in the same manner as the original appointment, except that the advice and consent of the Senate is not required if it is not in session.

The directors elect one of their number as Chair. The directors also elect a Secretary and a Treasurer who need not be directors, and the same person may be elected to serve both as Secretary and Treasurer. The powers of the Bond Bank are vested in the directors thereof, and three directors of the Bond Bank constitute a quorum. Action may be taken and motions and resolutions adopted by the Bond Bank at any meeting thereof by the affirmative vote of at least three directors of the Bond Bank, including the director ex-officio. A vacancy in the directorship of the Bond Bank does not impair the right of a quorum to exercise all the powers and perform all the duties of the Bond Bank.

The Bond Bank's membership is as follows:

DEBORAH WINTERS, *Chair*; term expires January 31, 2024.

Ms. Winters is a resident of Swanton, Vermont and an owner of Firetech Sprinkler Corp. She is a member of the board of Directors of the Champlain Valley Exposition. She holds a Bachelor of Science degree in Civil Engineering and Operations Research from Princeton University and a Master of Business Administration from Boston University.

MARY ALICE MCKENZIE; *Treasurer*, term expires January 31, 2023.

Ms. McKenzie is a resident of Colchester, Vermont and is a consultant. She was formerly the Executive Director of the Boys and Girls Club of Burlington, General Counsel to the Vermont State Colleges, and CEO of McKenzie of Vermont. Ms. McKenzie holds a Bachelor of Arts degree in Business Administration from St. Mary's College and a Juris Doctor degree from Valparaiso University School of Law.

DAVID R. COATES; term expires January 31, 2023.

Mr. Coates is a resident of Colchester, Vermont and a retired partner in the Burlington office of KPMG. He is a past president of the Vermont Society of CPA's and currently serves on the Governor's Council of Economic Advisors. He is a member of the Board of Directors of Green Mountain Power and is also on the Board of Directors of National Life of Vermont.

MARK FOLEY, JR.; term expires January 31, 2024.

Mr. Foley is a resident of the Town of Rutland. He is the fourth-generation owner of Foley Services, the leading linen, uniform and mat rental company in Vermont. He is also the owner of MKF Properties, a real estate management company that owns and manages commercial properties, primarily in Rutland's Historic Downtown. He serves on several boards in addition to the Bond Bank, including Regional Medical Center, Paramount Theater, Vermont Arts Council and Vermont Community Foundation.

ELIZABETH PEARCE; *Ex-Officio*.

Treasurer Pearce is a resident of Barre, Vermont and has more than 30 years of experience in government finance at both the state and local levels. She served as Vermont's Deputy Treasurer for more than seven years before assuming her current role as Treasurer. Prior to joining the Vermont State Treasurer's Office, she served as Deputy Treasurer for Cash Management at the Massachusetts State Treasurer's Office from 1999-2003; Deputy Comptroller for the Town of Greenburgh, New York; and Accounting Manager and Financial Operations Manager for the Town of West Hartford, Connecticut. In addition, she has served as a fiscal officer with the Massachusetts Department of Social Services and as a project director for the Massachusetts Executive Office of Human Services. Ms. Pearce has a Bachelor of Arts degree from the University of New Hampshire.

The Executive Director and Secretary to the Bond Bank is as follows:

MICHAEL GAUGHAN, *Executive Director, Secretary*.

Mr. Gaughan is a resident of Burlington, Vermont. He became Executive Director and Secretary of the Bond Bank and Executive Director of the Vermont Educational and Health Buildings Financing Agency on January 2, 2018. He was previously a Director and a Public-Private Partnerships Manager for a national community development finance nonprofit. He also has related experience as a public finance banker focused on governmental, housing, and community facilities transactions. Mr. Gaughan is a member of the City of Burlington's Planning Commission and a board member of the Vermont Government Finance Officers Association. He

earned a Bachelor of Arts degree from Middlebury College and a Master of City Planning degree from the University of Pennsylvania.

THE BONDS

Description

The Bonds shall be dated their date of delivery, shall mature on December 1 in the years and principal amounts, and shall bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

The Bonds shall bear interest from their date, payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2022. The Bonds initially will be issued as one fully registered bond for each maturity of a series in the aggregate principal amount for such maturity and series as set forth on the inside cover page of this Official Statement in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). Beneficial ownership in the Bonds may be acquired or transferred only through book-entries made on the records of DTC and its participants in the principal amount of \$1,000 or integral multiples thereof. The principal of and interest on the Bonds will be paid by U.S. Bank Trust Company, National Association, as Trustee and paying agent (the “Paying Agent”). As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to Cede & Co. Interest on any Bond which is payable and is punctually paid or provided for on any interest payment date will be paid to the registered owner at the close of business on the May 15 and November 15 next preceding such interest payment date (the “Record Date”).

Designation of 2022 Series 2 Bonds as Local Investment Bonds

The Bond Bank has designated the 2022 Series 2 Bonds as Local Investment Bonds. This designation is intended to reflect the local impact of the projects that are capitalized by the 2022 Series 2 Bonds. Moreover, the designation is also intended to alert individual investors to the reduced barriers to investing in Vermont’s local communities through the \$1,000 denominations of the Bonds.

The Bond Bank has a history of financing projects similar to those capitalized by the 2022 Series 2 Bonds while providing access to capital for communities throughout Vermont.

The Bond Bank administers a best efforts program to quantify the impact of the Bond Bank’s activities and intends to summarize impacts through the Bond Bank’s annual report. While the Bond Bank is not required to disclose impacts, it expects to do so on a voluntary basis as data is available.

Estimated impacts for projects anticipated to be financed with the 2022 Series 2 Bonds include:

- Over 400,000 square feet of school facilities renovated or constructed;
- Over 60,000 Vermonters impacted;
- Over 150,000 annual kWh of energy saved;
- 100 Mwh of renewable energy produced;
- Over 24,000 square feet of municipal facilities renovated or constructed;
- Approximately 3,900 improved student seats;
- Nearly one mile of water line replaced;
- Creation of two city parks; and
- Brownfield remediation.

Projects Financed by the 2022 Series 2 Bonds*

The 2022 Series 2 Bonds are being issued to make loans to the municipalities in the aggregate amount of \$23,565,218*. The loan amounts, the term of the loans, a description of the projects financed or expected to be financed from such loans, the environmental and social benefits of the projects, and the location of such projects are as follows:

| Governmental Unit | Loan Amount | Term (Years) | Zip Code | <i>Environmental Benefits</i> | | | <i>Social Benefits</i> | | | | Project Description |
|--|-------------|--------------|----------|-------------------------------|--------------------------------|---|------------------------|----------------------|--------------------------------|--------------------------------|--|
| | | | | <i>Water/ Sanitation</i> | <i>Stormwater/ Storm Event</i> | <i>Clean Energy / Energy Efficiency</i> | <i>Education</i> | <i>Public Spaces</i> | <i><80% AMI⁺</i> | <i>80-100% AMI⁺</i> | |
| Champlain Valley School District | \$1,500,000 | 20 | 05482 | | | | X | | | | Building improvements for school buildings of the Champlain Valley School District |
| Town of Duxbury | 250,000 | 10 | 05676 | | | | | | | | Structural Repair of town garage |
| Village of Essex Junction | 3,070,000 | 30 | 05452 | X | | | | | | | Main Street water line replacement |
| Town of Fairfax, VT | 1,175,218 | 30 | 05454 | | | | | | | | Fire station addition and improvements |
| Patricia A. Hannaford Regional Technical School District | 8,100,000 | 20 | 05753 | | | X | X | | | | Upgrades to HVAC, plumbing, electrical & boiler; asbestos removal, and solar generation |
| City of St. Albans | 500,000 | 24 | 05478 | | | | | | X | | Remediation of 100 Federal Street |
| Town of Stowe | 4,000,000 | 19 | 05672 | | | | | | | | Wilkins substation upgrades |
| City of Montpelier | 4,970,000 | 20 | 05602 | | | X | | X | | | Infrastructure, streetlights, parks, land purchase, and reimbursement of TIF project costs |

⁺ Source: ACS and PolicyMap. AMI is Area Median Income, using income data for the Census Tract where the projects are located.

* Preliminary, subject to change.

Book-Entry-Only System

Unless otherwise noted, portions of the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC Participants or Beneficial Owners of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Bond Bank for inclusion in this Official Statement. Accordingly, the Bond Bank, the Governmental Units and the Underwriters do not and cannot make any representations concerning these matters.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity and series, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all of the Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their

registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity and series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The principal of and interest and premium, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Bond Bank or Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOND BANK BELIEVES TO BE RELIABLE, BUT THE BOND BANK TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Redemption Provisions

Optional Redemption

The Bonds maturing prior to December 1, 20__ are not subject to redemption. The Bonds maturing on and after December 1, 20__ are subject to redemption at the option of the Bond Bank, at any time on and after _____, either as a whole, or in part (and by lot if less than all of a maturity is to be redeemed), from the maturities designated by the Bond Bank at a Redemption Price of par plus accrued interest to the date of redemption.

Notice of such redemption shall be mailed not less than thirty (30) days before the redemption date to the registered owners of any Bonds or portions thereof to be redeemed. Notice of redemption having been given, as aforesaid, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date and from and after such redemption date, interest on such Bonds shall cease to accrue and become payable.

Mandatory Sinking Fund Redemption

The 2022 Series 2 Bonds maturing December 1, 2043*, December 1, 2047* and December 1, 2052* will be subject to redemption prior to maturity by lot on each December 1, under the provisions of the Resolution, at the principal amount thereof plus accrued interest to the redemption date, without premium, from sinking fund payments and on the dates, as set forth below:

2022 Series 2 Bonds maturing December 1, 2043*

| <u>Year*</u> | <u>Sinking Fund Payment*</u> | <u>Year*</u> | <u>Sinking Fund Payment*</u> |
|--------------|------------------------------|--------------|------------------------------|
| 2038 | \$1,060,000 | 2041 | \$1,105,000 |
| 2039 | 1,410,000 | 2042 | 905,000 |
| 2040 | 1,090,000 | 2043 | 210,000 |

2022 Series 2 Bonds maturing December 1, 2047*

| <u>Year*</u> | <u>Sinking Fund Payment*</u> | <u>Year*</u> | <u>Sinking Fund Payment*</u> |
|--------------|------------------------------|--------------|------------------------------|
| 2044 | \$555,000 | 2046 | \$220,000 |
| 2045 | 220,000 | 2047 | 205,000 |

2022 Series 2 Bonds maturing December 1, 2052*

| <u>Year*</u> | <u>Sinking Fund Payment*</u> | <u>Year*</u> | <u>Sinking Fund Payment*</u> |
|--------------|------------------------------|--------------|------------------------------|
| 2048 | \$190,000 | 2051 | \$195,000 |
| 2049 | 190,000 | 2052 | 125,000 |
| 2050 | 190,000 | | |

Exchange and Transfer

The Resolution provides that Bonds, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or his attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same series and maturity of any other authorized denominations.

* Preliminary, subject to change.

The Bonds shall be transferable only upon the books of the Bond Bank, which shall be kept for the purpose at the corporate trust office of the Trustee, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any Bond the Bond Bank shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Bond.

In all cases in which the privilege of exchanging bonds or transferring registered bonds is exercised, the Bond Bank shall execute and the Trustee shall deliver bonds in accordance with the provisions of the General Resolution. The Bonds are interchangeable for bonds of like series at the office of the Trustee upon the payment of a charge sufficient to reimburse it for any tax, fee or any other governmental charge required to be paid. The cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Bank or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the Bond Bank as an Administrative Expense. See, however, “Book-Entry-Only System” herein for a description of the exchange and transfer provisions applicable to beneficial ownership interests in the Bonds.

SOURCES AND USES OF FUNDS

The proceeds of sale of the Bonds and other available funds are expected to be used and applied as set forth below, rounded to the nearest dollar.

| | 2022 Series 2 Bonds | 2022 Series 3 Bonds |
|---|------------------------|------------------------|
| Sources of Funds: | | |
| Principal amount | \$ | \$ |
| [Net] Original Issue Premium/Discount | | |
| Costs of Issuance Equity Contribution | | |
| Transfer from Reserve Fund | _____ | _____ |
| TOTAL SOURCES | \$ | \$ |
| Uses of Funds: | | |
| Loans to Governmental Units | \$ | \$ |
| Deposit to the Reserve Fund | | |
| Deposit to Escrow Fund for the Refunded Bonds | | |
| To pay interest on a portion of the 2022 Series 2 Bonds | | |
| Costs of Issuance (including Underwriters’ Discount) | _____ | _____ |
| TOTAL USES | \$ | \$ |

In accordance with the provisions of the Act and the Resolution, the funds on deposit in the Reserve Fund at the time of issuance of the Bonds will be at least equal to the Required Debt Service Reserve.

REFUNDING OF THE REFUNDED BONDS

In order to refund the Refunded Bonds, a portion of the proceeds of the 2022 Series 3 Bonds will be deposited in the Escrow Fund to be held by U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”) under an Escrow Agreement dated September 2, 2022 between the Bond Bank and the Escrow Agent. Amounts held in the Escrow Fund will be applied to the purchase of direct obligations of the United States of America (the “Government Obligations”) bearing interest and maturing at times sufficient, together with a cash balance, to redeem in full the Refunded Bonds on December 1,

2022, including accrued interest to the redemption date. None of the amounts in the Escrow Fund are available to pay debt service on the Bonds. The refunding of the Refunded Bonds is conditioned upon the issuance of the 2022 Series 3 Bonds.

The arithmetical accuracy of certain computations included in the schedules provided by the Representative on behalf of the Bond Bank relating to computation of anticipated receipts of principal and interest on Government Obligations and the anticipated payments of principal and interest to redeem the Refunded Bonds, was verified by Omnicap Group LLC. Such computations were based solely upon information supplied by the Underwriters on behalf of the Bond Bank.

SECURITY FOR THE BONDS

The following is a brief summary of security for General Resolution Bonds, including the Bonds. For a more detailed description, see Appendix A – “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” hereto, the Resolution and the Act.

The Bond Bank’s obligation to pay the principal of and interest on General Resolution Bonds is subject to the provisions of other resolutions now or hereafter pledging particular monies, assets or revenues to particular notes or bonds. The State is not obligated to pay the principal of or interest on General Resolution Bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment thereof. General Resolution Bonds are general obligations of the Bond Bank, and the full faith and credit of the Bond Bank are pledged for the payment of the principal or Redemption Price of and interest on General Resolution Bonds.

To secure the payment of the principal or Redemption Price of and interest on General Resolution Bonds, the Bond Bank pledges and assigns for the benefit of the Holders of General Resolution Bonds, all Municipal Bonds and Municipal Bonds Payments. The General Resolution creates a continuing pledge and first lien on the foregoing to secure the full and final payment of the principal or Redemption Price of and interest on all General Resolution Bonds. The Municipal Bonds and the Municipal Bonds Payments, the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the Resolution (except for any Rebate Fund established in connection with a series of bonds) are pledged for the payment of the principal or Redemption Price of and interest on General Resolution Bonds in accordance with the terms and provisions of the Resolution. The foregoing pledge is subject to the provisions of any other resolutions or indentures pledging and appropriating particular monies, assets or revenues to particular notes or bonds.

There shall at all times be scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution which, when added to interest and other income estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding General Resolution Bonds when due.

Loan Agreements and Municipal Bonds Payments

The Loan Agreement under which a Loan is made to a Municipality must comply with certain terms and conditions, including the following:

(a) the Municipality which is a party to such Loan Agreement must be a Governmental Unit as defined by the Act and the Loan Agreement must be executed in accordance with existing laws;

(b) the Municipality shall, prior to or as soon as practicable upon the issuance of bonds of the Bond Bank issued to make a Loan to the Municipality, issue Municipal Bonds which are valid obligations of the Municipality;

(c) the Municipality shall be obligated to pay Fees and Charges to the Bond Bank at the times and in the amounts which will enable the Bond Bank to pay the amounts specified in “Fees and Charges” below; and

(d) the Bond Bank shall not sell and the Municipality shall not redeem prior to maturity any of the Municipal Bonds prior to the date on which a sufficient amount of Outstanding General Resolution Bonds issued with respect to the Loan to such Municipality are redeemable, and in the event of any sale or redemption prior to maturity of such Municipal Bonds thereafter, the same shall be in an amount equal to the aggregate of (i) the principal amount, interest to accrue to the next redemption date, and redemption premium, if any, needed to redeem a sufficient amount of Outstanding General Resolution Bonds to assure that there shall at all times be scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution, which, when added to interest and other income estimated by the Bond Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding General Resolution Bonds when due, and (ii) the costs and expenses of the Bond Bank in effecting the redemption of the Bonds so to be redeemed, less the amount of monies available in the applicable sub-account or sub-accounts in the Redemption Account and available for withdrawal from the Reserve Fund and for application to the redemption of General Resolution Bonds so to be redeemed in accordance with the terms and provisions of the Resolution, as determined by the Bond Bank.

Pledge of Municipal Bonds and Municipal Bonds Payments

To secure the payment of the principal or Redemption Price of and interest on General Resolution Bonds, the Bond Bank pledges and assigns to the Trustee for the benefit of the Holders of General Resolution Bonds all Municipal Bonds and Municipal Bonds Payments. The pledge of such Municipal Bonds and Municipal Bonds Payments for the benefit of the Holders of General Resolution Bonds shall be valid and binding from and after the date of adoption of the General Resolution, and such Municipal Bonds and Municipal Bonds Payments shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, irrespective of whether such parties have notice thereof. The foregoing pledge is subject to the provisions of any other resolutions or indentures pledging and appropriating particular monies, assets or revenues to particular notes or bonds.

Each Governmental Unit is authorized to incur debt and issue bonds for a variety of capital costs and to secure its obligation as a general obligation of such Governmental Unit payable from unlimited ad valorem property taxes. With respect to certain types of capital costs, Municipal Bonds may be secured as a revenue obligation of such Governmental Unit, payable from the revenues of the public utility or other revenue-generating project being financed. In the case of General Obligation Bonds, the Governmental Unit is required by state law to provide annually for the assessment and collection of taxes of an amount sufficient to pay debt service.

Fees and Charges

The Bond Bank shall establish, make, maintain and charge such Fees and Charges to each Municipality to which a Loan is made, and shall from time to time revise such Fees and Charges whenever necessary, so that such Fees and Charges actually collected from each such Municipality will at all times produce monies which, together with other monies available therefor, including any grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof, will be at least sufficient:

- (i) to pay, as the same becomes due, the Administrative Expenses of the Bond Bank; and
- (ii) to pay, as the same become due, the fees and expenses of the Trustee and Paying Agents.

Intercept of State Funds and Other Enforcement of Municipal Bonds

The Bond Bank shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Loan Agreements and the Municipal Bonds evidencing Loans made by the Bond Bank, including the prompt collection of Municipal Bonds Payments and Fees and Charges and the giving of notice to the State Treasurer of any failure or default of any Municipality in making payments with respect to its Municipal Bonds.

On April 19, 2016, the Act was amended with respect to the provisions relating the State Treasurer's ability to intercept State funding to Governmental Units that are in default on their payment obligations on Municipal Bonds acquired or held by the Bond Bank. Effective July 1, 2016, the Act, as so amended, provides that upon receipt by the State Treasurer of written notice from the Bond Bank (or the Trustee) that a Governmental Unit is in default on the payment of principal or interest on a Municipal Bond acquired or held by the Bond Bank, the State Treasurer will immediately withhold all further payment to the Governmental Unit of any or all funds appropriated and payable by the State to the Governmental Unit, until the default is cured. During the default period, the State Treasurer will make direct payment of all, or as much as is necessary, of the withheld amounts to the Bond Bank, or at the Bond Bank's direction, to the Trustee or paying agent for the bonds, so as to cure, or cure insofar as possible, the default as to the bond or the interest on the bond.

On January 26, 2017, the State Treasurer, the Bond Bank and the Commissioner of the Vermont Department of Finance and Management (the "Commissioner") entered into a State Intercept Memorandum of Agreement (the "Intercept MOA") to establish procedures with respect to the intercept of State funds described above. Under the Intercept MOA, upon any failure of a Governmental Unit to pay a Municipal Bonds Payment in full on the due date thereof (which due date is the first day of the month prior to the principal and interest payment dates on the Bonds), within ten business days the Bond Bank shall notify the State Treasurer of the amount not paid by such Governmental Unit. No later than six business days following the receipt of such notice, the State Treasurer will determine an estimate of the amount of State funds due to such Governmental Unit for the remainder of the fiscal year and work with the Commissioner to intercept and remit such funds to the Trustee. The Intercept MOA further provides that to the extent there remains any unpaid Municipal Bonds Payments with respect to such Governmental Unit as of the end of a fiscal year of the State, State funds available in the next fiscal year with respect to such Governmental Unit would be intercepted.

The payments described in the paragraph above made by the State Treasurer to the Bond Bank (or the Trustee or paying agent for the bonds) will be credited as if made directly by the Governmental Unit. The payment will be offset against any appropriation otherwise payable to the Governmental Unit by the State during each fiscal year. Upon receipt of the payment, the Bond Bank, or the Bond Bank's trustee or paying agent, will provide written notice of the payment to the Governmental Unit. The Act, as so amended, further provides that no provision thereof shall be construed: (1) to limit, impair, or impede the rights or remedies granted to the holders of bonds issued by the Bond Bank and the Governmental Units; (2) to require the State to continue the payment of State aid or assistance to any Governmental Unit; (3) to limit or prohibit the State from repealing or amending any law relating to State aid or assistance, including the manner and time of payment or apportionment, or the amount of aid or assistance; (4) to create any obligation on the part of the State Treasurer or the State to make any payment on behalf of a defaulting Governmental Unit other than from funds appropriated and payable to a defaulting Governmental Unit by the State.

The Act provides that on the sale and issuance of any Municipal Bonds to the Bond Bank by any Governmental Unit, that Governmental Unit is deemed to agree that on the failure of that Governmental Unit to pay interest or principal on any of the Municipal Bonds owned or held by the Bond Bank when payable, all defenses to nonpayment are waived. If an execution is issued on that Governmental Unit for payment of such Governmental Unit's General Obligation Bonds and if funds are not available in its treasury to make payment, the governing body of that Governmental Unit shall forthwith assess a tax on the grand list of the Governmental Unit, sufficient to make payment with twelve percent interest thereon, and cause the tax to be collected within sixty days; and further, with respect to Revenue Bonds of a Governmental Unit, upon nonpayment and demand on that Governmental Unit for payment, such Governmental Units shall make payment together with twelve percent interest thereon as provided for by the Act, which shall be due and payable within sixty days. Notwithstanding any other law, including any law under which the Municipal Bonds were issued by that Governmental Unit, the Bond Bank upon nonpayment is constituted a holder or owner of the Municipal Bonds as being in default.

Reserve Fund

The Act provides that the Bond Bank shall establish and maintain a special fund called the Vermont Bond Bank Revenue Bond Reserve Fund in which there shall be deposited:

- (i) all monies appropriated by the State for the purpose of such fund;
- (ii) all proceeds of bonds required to be deposited therein by terms of any contract between the Bond Bank and its Bondholders or any resolution of the Bond Bank with respect to the proceeds of bonds; and
- (iii) any other monies or funds of the Bond Bank which it determines to deposit therein.

Monies in the Reserve Fund shall be held and applied solely to the payment of the interest on and principal of General Resolution Bonds, as they become due and payable and for the retirement of General Resolution Bonds. Money may not be withdrawn if it reduces the amount in the Reserve Fund to an amount less than the Required Debt Service Reserve except for payment of interest then due and payable on General Resolution Bonds and the principal of General Resolution Bonds then maturing and payable and for the retirement of General Resolution Bonds in accordance with the terms of any contract between the Bond Bank and its Bondholders and for which payment other monies of the Bond Bank, including without limitation monies from Municipal Bonds Payments or intercepted State funds, are not then available.

Section 4675 of the Act provides that in order to assure the maintenance of the Required Debt Service Reserve in the Reserve Fund, there shall be appropriated annually and paid to the Bond Bank for deposit in the Reserve Fund, such sum as shall be certified by the Chair of the Bond Bank to the Governor or to the Governor-elect, as is necessary to restore the Reserve Fund to an amount equal to the Required Debt Service Reserve. The Act further provides that the Chair shall annually, on or before February 1, make and deliver to the Governor or to the Governor-elect his certificate stating the sum required to restore the Reserve Fund to the amount aforesaid, that the Governor or Governor-elect shall, on or before March 1, submit a request for appropriation for the sum so certified, and the sum so certified shall be appropriated and paid to the Bond Bank during the then current State fiscal year.

While the General Resolution Bonds and the aforesaid provisions of the Act do not constitute a legally enforceable obligation of the State of Vermont or create a debt on behalf of the State, Bond Counsel is of the opinion that the State of Vermont, by its General Assembly, is legally authorized, but not legally obligated, to appropriate annually such sum as shall have been certified by the Chair of the Bond Bank to the Governor or the Governor elect as is necessary to restore the Reserve Fund to an amount equal to the Required Debt Service Reserve and, upon the making of such appropriations in accordance with the Act, there shall be paid to the Bond Bank for deposit in the Reserve Fund the amounts appropriated.

PROPOSED MODIFICATIONS TO THE GENERAL RESOLUTION

The General Resolution provides that it may be amended by the Bond Bank subject to certain conditions. With certain exceptions, an amendment of the General Resolution requires the consent of the holders of not less than sixty-six and two-thirds percent (66⅔%) in principal amount of the Outstanding General Resolution Bonds to which the amendment applies, measured at the time such amendment becomes effective. Principal exceptions include the following: (i) amendments may be made by the Bond Bank acting alone for purposes of further securing the General Resolution Bonds, imposing further limitations on or surrendering rights of the Bond Bank or curing ambiguities, (ii) no amendment of the General Resolution may permit a change in the security and terms of redemption or maturity of the principal of any General Resolution Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, or the rate of interest thereon or reduce the percentages or otherwise affect the classes of General Resolution Bonds the consent of the Holders of which is required to effect such amendment. For a more complete description of the amendment provisions of the General Resolution, see Appendix A – “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” under “Modifications of Resolution and Outstanding Bonds.”

In the Series Resolutions for the Bonds, the Bond Bank approved proposed modifications to the General Resolution. The principal effects of these modifications would include the following:

Creation of New Debt Structure

- Create two new categories of General Resolution Bonds for General Resolution Bonds issued after the effective date of the modifications of the General Resolution: “Community Revenue Bonds” and “Enhanced Community Revenue Bonds”.
- Bonds issued prior to the effective date of the amendments, including the Bonds, will be referred to in the amended General Resolution as “Legacy Bonds” and will no longer be issued after the effective date of the amendments.
- Community Revenue Bonds are secured by a lien on Revenues and benefit from the State intercept described under “SECURITY FOR THE BONDS – Intercept of State Funds and Other Enforcement of Municipal Bonds.”
- Enhanced Community Revenue Bonds are secured by a lien on Revenues and benefit from the State intercept described under “SECURITY FOR THE BONDS – Intercept of State Funds and Other Enforcement of Municipal Bonds.” In addition, the Enhanced Community Revenue Bonds are issued with the Reserve Fund, including the obligation of the Bond Bank and the State, respectively, to request appropriation and appropriate, the amount necessary to restore a draw on the Reserve Fund, as described under “SECURITY FOR THE BONDS – Reserve Fund.”
- The priority of payment of debt service on the General Resolution Bonds: first, the Legacy Bonds, then the Community Revenue Bonds, and then the Enhanced Community Revenue Bonds.

Additional Bonds Test

- Issuance of additional General Resolution Bonds, excluding Refunding Bonds, requires certification demonstrating that Revenues in each year in which such General Resolution Bonds will be Outstanding will be sufficient to pay Debt Service in each such year on all Outstanding General Resolution Bonds when due.

- Issuance of additional Community Revenue Bonds, other than Refunding Bonds, requires certification demonstrating the Community Revenue Bond Coverage in each year in which such Series of Community Revenue Bonds will be Outstanding will be at least equal to the Community Revenue Bond Coverage Ratio Requirement.
- The “Community Revenue Bond Coverage” is the amount calculated by dividing the sum of estimated Adjusted Revenues for each of the then-current and future Fiscal Years in which Community Revenue Bonds are Outstanding divided by the aggregate scheduled Adjusted Debt Service on Outstanding Community Revenue Bonds and Legacy Bonds, if any, for each such year.
- The “Community Revenue Bond Coverage Requirement” is the greater of (i) 100% and (ii) the percentage specified in the Series Resolution authorizing the issuance of a Series of Community Revenue Bonds.
- See Appendix A under “SUMMARY OF AMENDED AND RESTATED GENERAL RESOLUTION” for the definitions of Revenues, Adjusted Revenues, and Adjusted Debt Service.

Amendments

- The general consent requirement would be reduced from the holders of not less than sixty-six and two-thirds percent (66⅔%) in principal amount of the Outstanding General Resolution Bonds affected by a proposed amendment to the holders of more than fifty percent (50%) of such amount.
- Bond insurers and other providers of credit enhancement would be authorized to vote on amendments in place of the holders of General Resolution Bonds that they insure or secure (excluding amendments that would require a unanimous consent or the consent of every holder of affected General Resolution Bonds).

Other

- Permitting removal of the Trustee at the option of the Bond Bank.

For further details of the proposed modifications, see Appendix A – “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” hereto and the Resolution.

Most of the proposed amendments will require the consents of the holders of sixty-six and two-thirds percent of the Outstanding General Resolution Bonds.

The purchasers of the Bonds will be deemed to have consented to all of the proposed modifications on behalf of themselves and all subsequent holders of the Bonds upon their purchase of the Bonds. Each of the proposed modifications will apply to the Bonds only when and if such proposed modification becomes effective upon the consent of the requisite number of holders as described above; provided that the Bonds will continue to benefit from all of the security described under “SECURITY FOR THE BONDS.” The Bond Bank intends to require that purchasers of future General Resolution Bonds will be deemed to have consented to the proposed modifications at the time of purchasing the General Resolution Bonds of each such Series. As new issues of General Resolution Bonds are sold and as existing issues are retired, the Bond Bank expects eventually to achieve the sixty-six and two-thirds percent consent of holders of General Resolution Bonds required to approve most of the proposed modifications. The Bond Bank cannot be certain when this process will be completed; it expects it to take several years with respect to the General Resolution Bonds. Upon the issuance of the Bonds and

refunding of the Refunded Bonds, approximately __% of the owners of the General Resolution Bonds will have consented to the proposed modifications.

By their acceptance of the Bonds, the owners thereof (i) agree to all the terms of the General Resolution as currently in effect and all proposed modifications approved by the Bond Bank in connection with the issuance of the Bonds, (ii) waive the applicability of the provisions of the General Resolution affected by such modifications, and (iii) agree to any amendments to the General Resolution that may be necessary, in the opinion of bond counsel to the Bond Bank, to effect such modifications

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

OUTSTANDING BONDS AND OTHER OUTSTANDING INDEBTEDNESS

Pursuant to the General Resolution, the Bond Bank has heretofore issued other Bonds for the purpose of purchasing General Obligation Bonds and Revenue Bonds issued by Governmental Units and to establish and maintain the Reserve Fund. The Outstanding series of Bonds are as follows:

| <u>Series</u> | <u>Outstanding as of July 1, 2022</u> |
|-----------------------------------|---|
| 2008 Series 2 (Federally Taxable) | \$ 5,145,000 |
| 2010 Series 2 (RZEDB) | 3,610,000 |
| 2010 Series 3 (QSCB) | 1,365,000 |
| 2010 Series 5 (RZEDB) | 13,365,000 |
| 2011 Series 1 (QSCB) | 9,500,000 |
| 2011 Series 3 (QSCB) | 2,940,000 |
| 2012 Series 1* | 20,775,000 |
| 2012 Series 2 (QSCB) | 8,855,000 |
| 2012 Series 3 Refunding* | 7,210,000 |
| 2012 Series 4* | 4,875,000 |
| 2012 Series 5 Refunding* | 505,000 |
| 2013 Series 1 | 6,420,000 |
| 2014 Series 1 | 20,505,000 |
| 2014 Series 2 Refunding | 6,635,000 |
| 2014 Series 3 | 33,280,000 |
| 2014 Series 4 Refunding | 10,175,000 |
| 2015 Series 1 Refunding | 16,315,000 |
| 2015 Series 2 | 6,270,000 |
| 2015 Series 3 Refunding | 440,000 |
| 2015 Series 4 (Federally Taxable) | 9,050,000 |
| 2015 Series 5 Refunding | 40,685,000 |
| 2016 Series 1 | 32,510,000 |
| 2016 Series 2 Refunding | 50,600,000 |
| 2017 Series 1 | 28,450,000 |
| 2017 Series 2 | 4,785,000 |
| 2017 Series 3 | 23,570,000 |
| 2017 Series 4 | 27,040,000 |
| 2018 Series 1 | 7,275,000 |
| 2018 Series 2 | 29,525,000 |
| 2019 Series 1 | 23,400,000 |
| 2019 Series 2 | 29,100,000 |
| 2020 Series 1 | 21,730,000 |
| 2020 Series 2 | 15,665,000 |
| 2021 Series 1 | 30,295,000 |
| 2021 Series 2 (Federally Taxable) | 1,675,000 |
| 2021 Series 3 | 17,615,000 |
| 2021 Series 4 Refunding | 8,280,000 |
| 2022 Series 1 | 8,037,000 |
| Total | \$587,472,000 |

*Includes the Refunded Bonds. See Appendix F.

In addition to Bonds issued pursuant to the General Resolution, the Bond Bank has issued bonds (“VSCS Program Bonds”) pursuant to its General Bond Resolution for Vermont State Colleges System

adopted March 30, 2017 (the “General Resolution for VSCS Program Bonds”). As of July 1, 2022, the Bond Bank has issued two series of VSCS Program Bonds, outstanding in the principal amount of \$86,480,000. VSCS Program Bonds are payable from different funds and assets than, and are not on a parity with, the Bonds. None of the funds and accounts established under the General Resolution or any funds of the Bond Bank not held under the General Resolution for VSCS Program Bonds are pledged to secure the VSCS Program Bonds.

CERTAIN INVESTMENT CONSIDERATIONS

Impact of COVID-19 Pandemic

The global pandemic resulting from the outbreak of the strain of coronavirus called COVID-19 has negatively affected national, state, and local economies and global financial markets. In response to the outbreak, the Governor of Vermont declared a State of Emergency on March 13, 2020, which was extended multiple times until June 15, 2021. On June 14, 2021, the Governor announced that 80.2% of Vermont’s eligible population had received at least one dose of the COVID-19 vaccine, so the State removed all remaining COVID-19 restrictions.

The virus and the resulting actions by national, state and local governments has altered the behavior of businesses and people in a manner that has had and may continue to have negative impacts on global and local economies. There can be no assurances regarding the extent to which COVID-19 will further impact the national and state economies and, accordingly, how it will adversely impact the Bond Bank and the Governmental Units.

While all of the fiscal and economic impacts on the Bond Bank and the Governmental Units are not known at this time, the Bond Bank is closely monitoring the COVID-19 pandemic and its impact on the investment earnings of the Bond Bank and financial health of the Governmental Units. The post-COVID-19 loan payments from Governmental Units due on May 1, 2020 through May 1, 2022 were received on a timely basis to pay outstanding Bonds on the applicable due dates thereof. In response to the COVID-19 pandemic and as part of an ongoing effort to simplify the loan process, the Bond Bank instituted a supplemental e-invoice procedure for Governmental Units’ payments of loans, which was used for the foregoing payments and is expected to continue to be used for future payments. The Bond Bank is continuing to monitor the potential for refunding of outstanding bonds for debt service savings. All of the foregoing is subject to change based on market conditions and considerations of the needs of Governmental Units.

School Consolidation

The Governmental Units include many school districts that receive loans from the Bond Bank to fund projects for public schools. Since 2015, the State has been undergoing a major education reform process which includes a multi-year realignment and consolidation of the pre-k-12 education governance system. Vermont Act 46 (2015) and Act 49 (2017) (together, the “Acts”) include incentives to small school districts to merge in order, among others things, to maximize operational efficiencies and provide equity in quality and funding. Pursuant to the Acts, the Vermont State Board of Education also ordered the involuntary consolidation of a series of school districts that did not voluntarily merge. By operation of law, the consolidated school district, whether formed voluntarily or involuntarily, assumes the property and any related debt, including the Municipal Bonds, of the merged school districts. Several school districts objected to school consolidation and sued the Vermont State Board of Education to avoid merger. While none of such districts claimed that its debt is no longer valid, some argued that the forced merger should not be required because it causes existing debt of a school district to become debt of a consolidated school district, which includes a member that had not authorized such other member’s debt. The State objected to these claims on the basis that the State Legislature, in adopting Act 46, has authority to transfer the existing debt of a school district to the merged school district as part of the consolidation process. The State prevailed, but

some school districts appealed the decision to the Vermont Supreme Court, which heard oral arguments on January 15, 2020. On July 10, 2020, the Vermont Supreme Court affirmed the lower court's decision in favor of the State.

Table 2 of Appendix B and the tables under "THE BONDS - Projects Financed by the 2022 Series 2 Bonds" reflect the consolidated school districts as of July 1, 2021.

Climate Resiliency

The State faces potential impacts from the effects of climate change. In 2021, the University of Vermont published its second Vermont Climate Assessment (available at <https://site.uvm.edu/vtclimateassessment/>). The Assessment concludes that the State is becoming warmer and wetter, which will result in interdependent and unpredictable outcomes. Findings from the report detail anticipated changes to the State's environment, economy, health, and related topics. These changes may result in both negative and positive financial consequences for the State's Governmental Units. The Bond Bank cannot predict whether any current or future impact of climate change might adversely impact the ability of any of its Governmental Units to pay debt service on their Municipal Bonds.

Cybersecurity

The Bond Bank and the Governmental Units, like many other public and private entities, rely on a large and complex technology environment to conduct their operations. As a recipient and provider of certain sensitive information, each of the Bond Bank and the Governmental Units may be subject to cyber threats including, but not limited to, hacking, viruses, malware, ransomware, and other attacks on computer and other sensitive digital networks and systems.

Entities or individuals may attempt to gain unauthorized access to the Bond Bank's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. The Bond Bank works closely with its information technology providers who maintain, advise, and implement all the Bond Bank's network security controls. On an on-going basis, the Bond Bank reviews and implements its information technology provider's system security recommendations so that any such attack is not expected to materially impact the operations or finances of the Bond Bank. Notwithstanding, the planning and actions taken to date, the Bond Bank cannot assure that future incidents will not have a potential material impact on the Bond Bank's operations or financial position.

AGREEMENT OF THE STATE AND THE BOND BANK

Section 4621 of the Act provides that the State does pledge to and agree with the holders of the bonds or notes of the Bond Bank that it will not limit or restrict the rights vested in the Bond Bank to fulfill the terms of any agreement made with bondholders or noteholders, or in any way impair the rights or remedies of such holders until the bonds or notes, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged, and, under the General Resolution, the Bond Bank covenants that it will not cause the State to take any such action.

BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 4623 of the Act, the Bonds, in the State of Vermont, are securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations, and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all

administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are or may be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

SECURITY FOR PUBLIC DEPOSITS

Bonds or notes of the Bond Bank are authorized security for any and all public deposits in the State.

TAX MATTERS

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Bond Bank (“Bond Counsel”), is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. Bond Counsel’s opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the “Code”), which requirements must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that the interest on the Bonds is and continues to be excludable from the gross income of the holders of such Bonds for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of such Bonds retroactive to the respective date of issuance of the Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Bond Bank has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals. Bond Counsel has not opined as to any other matters of federal tax law relating to the Bonds. However, prospective purchasers should be aware that certain collateral consequences may result under federal tax law for certain holders of the Bonds. The nature and extent of these consequences depends on the particular tax status of the holder and the holder’s other items of income or deduction. Holders should consult their own tax advisors with respect to such matters.

Interest paid on tax-exempt obligations such as the Bonds is generally required to be reported by payors to the Internal Revenue Service (“IRS”) and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to “backup withholding” if the Bond holder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond holder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

Interest on the Bonds includes any original issue discount, which with respect to a Bond, is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Bonds with the same series and maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Bond. Holders should consult their own tax advisors with respect to the computations of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity constitutes amortizable bond premium. The required amortization of such premium during the term of a Bond will result in reduction of the holder’s tax basis in such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisors with respect

to the determination and treatment of such premium for federal income tax purposes and with respect to the state or local tax consequences of owning such Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce or eliminate the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including but not limited to proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation, and other proposals to limit federal tax expenditures, have been and are expected to be under ongoing consideration by the United States Congress. These proposed changes could affect the market value or marketability of the Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel has not opined as to the taxability of the Bonds and the interest thereon under the laws of any state other than Vermont.

LITIGATION AND OTHER PROCEEDINGS

There is no controversy or litigation of any nature now pending, or to the knowledge of the Bond Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds or prohibiting the Bond Bank from making the Loans with the proceeds of the Bonds or any proceeding of the Bond Bank taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Bonds or the existence or powers of the Bond Bank.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel. The opinion will be substantially in the form attached hereto as Appendix C. Each Loan made by the Bond Bank with a portion of the proceeds of the Bonds will be made by the Bond Bank subject to the approval of the Municipal Bonds securing each Loan and to the validity and enforceability of the Loan Agreements entered into by each of the Governmental Units by bond counsel to each of the Governmental Units, and such bond counsel will, at the time of the making of each Loan, provide the Bond Bank with an opinion as to the validity and enforceability of the Municipal Bonds securing the Loan and the Loan Agreement entered into by each Municipality.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission, the Bond Bank will undertake to provide annual reports and notice of certain events with respect to the Bond Bank and any Obligated Person by filing with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system. See the description of this undertaking set forth in Appendix E attached hereto.

FINANCIAL ADVISOR

Omnicap Group LLC, El Segundo, California serves as financial advisor to the Bond Bank. The financial advisor is a municipal advisor registered with the Securities and Exchange Commission and the MSRB, is an independent advisory firm, and is not engaged in the business of underwriting, trading or distribution municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

FINANCIAL STATEMENTS

The financial statements of the Bond Bank for the fiscal year ended December 31, 2021 have been examined by Mudgett, Jennett & Krogh-Wisner, P.C., independent public accountants, as indicated in their report with respect thereto, and are included in Appendix D.

UNDERWRITING

The Bonds are being purchased by the underwriters, for whom Morgan Stanley & Co. LLC is acting as representative, at an aggregate purchase price of \$ _____ (consisting of the aggregate stated principal amount of the Bonds, plus/less net original issue premium/discount, \$ _____, less aggregate Underwriters' discount, \$ _____). The Contract of Purchase for the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligations of the Underwriters are subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts.

RATINGS

S&P Global Ratings ("S&P"), 55 Water Street, New York, New York, and Moody's Investors Service, Inc. ("Moody's"), 7 World Trade Center at 250 Greenwich Street, New York, New York have rated the Bonds "AA+", and "Aa2", respectively. Such ratings reflect only the views of such rating agencies and any desired explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any period of time or that such ratings will not be revised or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any revision or withdrawal of the ratings may have an effect on the market price of the Bonds.

MISCELLANEOUS

The quotations from, and summaries and explanations of the Act, the Resolution and the Loan Agreements contained herein do not purport to be complete and reference is made to said law, Resolution and Loan Agreements for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Act, the Resolution and prior Official Statements of the Bond Bank may be obtained upon request directed to the Bond Bank or to the Underwriters.

It is the current policy of the Bond Bank to provide copies of the Act, the Resolution and prior Official Statements of the Bond Bank related to a Series of General Resolution Bonds upon request directed to the Bond Bank. In addition, the Bond Bank files with the Trustee a copy of its annual report for each Fiscal Year. The Bond Bank reserves the right at any time to change this policy to comply with law or for any other reason.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Bond Bank and the purchasers or Holders of any of the Bonds.

VERMONT BOND BANK

By: _____
Executive Director

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The following is a brief summary of certain provisions of the General Resolution, including certain terms used in the General Resolution and used and not elsewhere defined in this Official Statement. This summary does not purport to be complete and reference is made to the General Resolution for full and complete statements of its terms and provisions.

This summary includes provision of the General Resolution as it is expected to be in effect following the issuance of the Bonds.

As described under **“PROPOSED MODIFICATIONS TO THE GENERAL RESOLUTION”** in the forepart of this Official Statement, the Bond Bank has approved proposed modifications (the **“Proposed Modifications”**) to the General Resolution, which require the consents of the holders of two-thirds of the Outstanding General Resolution Bonds, which consent is deemed given by the purchasers of the Bonds. The Proposed Modifications will become effective once additional General Resolution Bonds have been issued and the requisite consents obtained. The brief summary of certain provisions of the General Resolution including the Proposed Modifications, *shown in italicized font*, follows the summary of the General Resolution as in effect as of the issuance of the Bonds, under the heading **“SUMMARY OF AMENDED AND RESTATED GENERAL RESOLUTION.”**

“Accountant’s Certificate” shall mean a certificate signed by a certified public accountant or a firm of certified public accountants of recognized standing selected by the Bank and satisfactory to the Trustee.

“Accreted Value” shall mean, as of any interest payment date, with respect to any non-interest bearing Bonds, the amount representing the original principal plus the amount of interest that has accrued to such date as specified in the Series Resolution.

“Administrative Expenses” shall mean the Bank’s expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, and shall include, without limiting the generality of the foregoing: administrative expenses, legal, accounting and consultant’s services and expenses, payments to underwriters or placement agents of the Bonds, payments to pension, retirement, health and hospitalization funds, fees of a Credit Bank or insurer, rebate payments to the United States Treasury Department, and any other expenses required or permitted to be paid by the Bank under the provisions of the Act or the General Resolution or otherwise.

“Aggregate Debt Service” for any period shall mean, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

“Bond” or **“Bonds”** shall mean any Bond or the issue of Bonds, as the case may be, established and created by the General Resolution and issued pursuant to a Series Resolution.

“Bondholders” or **“Holder of Bonds”** or **“Holder”** (when used with reference to Bonds) or the registered owner of any Outstanding Bond or Bonds.

“Credit Bank” shall mean with respect to purchases in connection with tenders of Variable Rate Bonds, the person (other than an Insurer) providing a letter of credit, a line of credit, a guaranty or other credit- or liquidity-enhancement facility, as designated in the Series Resolution providing for the issuance of such Bonds.

“Credit Facility” shall mean with respect to purchases in connection with tenders of Variable Rate Bonds, a letter of credit, a line of credit, a guaranty or another credit- or liquidity-enhancement facility (other than an insurance policy issued by an Insurer), as designated in the Series Resolution providing for the issuance of such Bonds.

“Debt Service” for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, and (ii) that portion of principal for such Series which would accrue during such period if such principal were deemed to accrue daily in equal amounts from the next preceding principal payment date for such Series (or, if there shall be no such preceding principal payment date, from a date one year preceding the due date of such principal payment or from the date of delivery of such Series of Bonds if such date occurred less than one year prior to the date of such principal payment). Such interest and principal payments for such Series shall be calculated on the assumption that no Bonds (except Variable Rate Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the principal payment on the due date thereof; provided, however, that with respect to Variable Rate Bonds tendered for payment before the stated maturity thereof, interest shall be deemed to accrue on the date required to be paid pursuant to such tender, and provided further that with respect to Variable Rate Bonds or variable rate Municipal Bonds interest requirements shall be determined by reference to the maximum interest rate. A Series Resolution may provide that interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds may be included in the determination of Debt Service.

“Fees and Charges” shall mean all fees and charges authorized to be charged by the Bank pursuant to subsection (8) of section 4591 of the Act and charged by the Bank to Municipalities pursuant to the terms and provisions of Loan Agreements.

“Fiduciary” or **“Fiduciaries”** shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” shall mean any twelve (12) consecutive calendar months commencing with the first day of January and ending on the last day of the following December.

“Loan” shall mean a loan heretofore or hereafter made by the Bank to a Municipality pursuant to the Act and more particularly described in the applicable Series Resolution.

“Loan Agreement” shall mean an agreement heretofore or hereafter entered into between the Bank and a Municipality setting forth the terms and conditions of a Loan.

“Municipal Bonds” shall mean the bonds, notes, or other evidence of debt issued by any Municipality and authorized pursuant to the Act and other laws of the State and which have heretofore or will hereafter be acquired by the Bank as evidence of indebtedness of a Loan to the Municipality pursuant to the Act.

“Municipal Bonds Payment” shall mean the amounts paid or required to be paid, from time to time, for principal and interest by a Municipality to the Bank on Municipal Bonds.

“Municipality” shall mean counties, municipalities or other public bodies of the State, including public school districts.

“Outstanding” when used with reference to Bonds, other than Bonds owned or held by the Bank, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (ii) any Bonds for the payment or redemption of which monies equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date, provided that if such bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, (iv) Bonds deemed to have been paid as provided in (2) under the heading “Defeasance” below and (v) Variable Rate Bonds for which the Purchase Price has been deposited with the Trustee.

“Paying Agent” for the Bonds of any Series shall mean the bank or trust company and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Bank adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Resolution and the Series Resolution pursuant to which the same was issued.

“Required Debt Service Reserve” shall mean, as of any date of calculation, the sum of amounts of money (or cash equivalent available under a letter of credit, insurance policy or similar security instrument) required to be on deposit in the Reserve Fund pursuant to each Series Resolution which amounts with respect to each Series of Bonds issued under the General Resolution shall be equal to the lesser of: the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year on all Bonds of such Series then Outstanding as of such date of calculation, 125% of average annual Debt Service due on the Bonds Outstanding of such Series, or 10% of the proceeds of any such Series of Bonds. With respect to Variable Rate Bonds, and for purposes of determining the Required Debt Service Reserve, interest requirements shall be determined in the manner set forth in the Series Resolution.

“Variable Rate Bonds” means any Bonds the interest rate on which is not established at the time of issuance of such bonds at a single numerical rate for the entire term of such Bonds a feature of which may include an option on the part of the Holders of such Bonds to tender to the Bank or to any depository, Paying Agent or other fiduciary for such Holders, or to an agent of any of the foregoing, all or a portion of such Bonds for purchase. No Variable Rate Bonds shall be issued unless (a) such Bonds shall have been rated “A” or higher (without reference to gradations of such categories such as “plus” or “minus”) by Moody’s and S&P, (b) any obligations the Bank may have, other than its obligation on such Bonds (which need not be uniform as to all Holders thereof), to reimburse any person for its having extended a Credit Facility or similar arrangement shall be subordinated to the obligation of the Bank on the Bonds (c) a maximum interest rate is established in the Series Resolution authorizing such Bonds and (d) upon any change in the interest rate of such Variable Rate Bonds, there shall be scheduled payments of principal and interest on Municipal Bonds pledged under the Resolution which, when added to interest and other income under the General Resolution, will be sufficient to pay debt service on all Outstanding Bonds when due.

FUNDS AND ACCOUNTS

The General Resolution establishes the following special Funds and Accounts held by the Trustee:

Revenue Fund

- General Account
- Operating Account
- Interest Account
- Principal Account
- Redemption Account

Reserve Fund

The 2021 Series 3 Resolution establishes a Rebate Fund for the 2021 Series 3 Bonds, and the 2021 Series 4 Resolution establishes a Rebate Fund for the 2021 Series 4 Bonds. Funds maintained in such Rebate Fund are not pledged to secure payments on Bonds and the Bondholders shall have no right in or claims to such money in such Rebate Funds.

Revenue Fund

General Account

The General Resolution provides for the deposit to the General Account of: (i) all proceeds of a Series of Bonds to be used to make Loans; (ii) any income or interest earned by the Reserve Fund due to the investment thereof (provided a transfer will not reduce the amount of the Reserve Fund below the Required Debt Service Reserve); (iii) the balance of monies remaining in the Redemption Account when the Trustee is able to purchase principal amounts of Bonds at a purchase price less than an amount equal to the proceeds from the sale or redemption of Municipal Bonds; (iv) the excess of proceeds resulting from a Municipality's redemption of its Municipal Bonds; and (v) all monies received as Municipal Bonds Payments.

The General Resolution provides for the following withdrawals to be made from the General Account for the following purposes:

(1) On or before each interest payment date of the Bonds, the Trustee shall withdraw from the General Account and deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will on such interest payment date be equal to the installment of interest on the Bonds then falling due.

(2) On or before each principal payment date of the Bonds, the Trustee shall withdraw from the General Account and deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will on such principal payment date be equal to the principal becoming due on the Bonds on such principal payment date.

(3) On or before each interest payment date of the Bonds after providing for the payments into the Interest Account pursuant to paragraph (1) above and the principal payments, if any, pursuant to paragraph (2) above, the Trustee shall withdraw from the General Account and deposit in the Operating Account the aggregate of the amounts requisitioned by the Bank as of such interest payment date for the six-month period to and including the next succeeding interest payment date, for the following purposes:

(a) To pay the estimated Administrative Expenses of the Bank due and to become due during such six-month period;

(b) To pay the fees and expenses of the Trustee and Paying Agents then due and to become due during such six-month period; and

(c) Financing costs incurred with respect to a Series of Bonds, including fees and expenses of the attorney or firm of attorneys of recognized standing in the field of municipal law selected by the Bank, initial Trustee's and Paying Agent's fees and expenses, costs and expenses of financial consultants, printing costs and expenses, the payment to any officers, departments, boards, agencies, divisions and commissions of the State of any statement of cost and expense rendered to the Bank pursuant to Section 4556 of the Act, and all other financing and other miscellaneous costs, in the aggregate amount specified in the resolution authorizing such Series of Bonds.

(4) As of the last day of each Fiscal Year, and not later than the twentieth day (20th) of the succeeding Fiscal Year, after providing for all payments required to have been made during such Fiscal Year into the Interest Account pursuant to paragraph (1) above, into the Principal Account pursuant to paragraph (2) above, and into the Operating Account pursuant to paragraph (3) above, the Trustee shall withdraw from the balance of the monies so remaining in the General Account and deposit to the credit of the Reserve Fund such amount (or the balance of the monies so remaining in the General Account if less than the required amount) as shall be required to bring the Reserve Fund up to the Required Debt Service Reserve.

(5) As of the last day of each Fiscal Year, and not later than the twentieth (20th) day of the succeeding Fiscal Year, after providing for all payments required to have been made during such Fiscal Year into the Interest Account pursuant to paragraph (1) above, into the Principal Account pursuant to paragraph (2) above, into the Operating Account pursuant to paragraph (3) above, and after making the transfers, if any, to the Reserve Fund pursuant to paragraph (4) above, the Trustee shall withdraw from the General Account and shall pay to the Bank for any of its lawfully authorized purposes the balance of the monies so remaining in the General Account; provided, however, that the Bank, in its absolute discretion, may direct the Trustee to deposit any or all of such balance to be withdrawn from the General Account to the credit of the Redemption Account and the payment to the Bank of such balance shall be reduced accordingly; and provided further that no such transfer to the Bank shall be made unless, after giving effect to such transfer, total assets of Accounts established under the General Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by a certificate of an Authorized Officer.

In addition, amounts on deposit in the General Account representing earnings on investments in the Reserve Fund may be deposited at any time into the applicable Rebate Fund in lieu of deposit to the Operating Account for such purpose.

Operating Account

The General Resolution provides that all Fees and Charges received by the Trustee shall be deposited upon receipt in the Operating Account. Such Fees and Charges collected from Municipalities shall be used, together with such portion of the proceeds of the sale of Bonds, if any, as shall be provided by a Series Resolution and the deposits made to the Operating Account from the General Account, as described hereinbefore, and any other monies which may be made available to the Bank for the purposes of the Operating Account from any source or sources, to pay (i) Administrative Expenses of the Bank,

(ii) the fees and expenses of the Trustee and Paying Agents, and (iii) financing costs incurred with respect to a Series of Bonds. Monies at any time held for the credit of the Operating Account shall be used for and applied solely to such purposes. The General Resolution further provides that payments from the Operating Account shall be made by the Trustee upon receipt of a requisition, signed by an Authorized Officer, describing each payment, the amount of the payment, the party to whom payment is to be made, and specifying that each item is a proper charge against the monies in the Operating Account.

Interest Account and Principal Account

(1) The monies in the Interest Account and the Principal Account in the Revenue Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds in the manner provided in the General Resolution. All monies deposited in the Interest Account and the Principal Account in the Revenue Fund shall be disbursed and applied by the Trustee at the times and in the manner provided in the General Resolution.

(2) The Trustee shall, on or before each interest payment date of the Bonds, pay, out of the monies then held for the credit of the Interest Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the interest becoming due on the Bonds on such interest payment date, and such amounts so withdrawn are irrevocably pledged for and shall be applied to the payment of such interest. The Trustee shall also pay out of the Interest Account to itself and the appropriate Paying Agents, on or before any redemption date for Bonds being refunded by a Refunding Issue, the amount required for the payment of interest on the Bonds then to be redeemed, to the extent not otherwise provided pursuant to the General Resolution.

(3) The Trustee shall, on or before each principal payment date of the Bonds, pay, out of the monies then held for the credit of the Principal Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the principal becoming due on the Bonds on such principal payment date, and such amounts so withdrawn are irrevocably pledged for and shall be applied to the payment of such principal.

The General Resolution further provides that in the event there shall be, on any interest payment date, a deficiency in the Interest Account, or in the event there shall be, on any principal payment date, a deficiency in the Principal Account, the Trustee shall make up such deficiencies from the Reserve Fund by the withdrawal of monies therefrom for that purpose.

Redemption Account

The General Resolution provides that the monies in the Redemption Account shall be used solely for the purpose of paying the Redemption Price on the Bonds. The Trustee shall establish in the Redemption Account a separate sub-account for the Bonds of each Series outstanding. Monies held in each such separate sub-account by the Trustee shall be applied to the purchase or retirement of the Bonds of the Series in respect of which such sub-account was created provided that after such purchase or retirement there shall be scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution which, when added to interest and other income estimated by the Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding Bonds when due. Monies for the redemption of Bonds may be deposited in the Redemption Account from the General Account at the direction of the Bank as provided above in paragraph (5), under the caption "General Account", and, if at any time upon the payment or retirement of Bonds at maturity or upon the purchase or redemption of Bonds the monies and securities in the Reserve Fund are in excess of the Required Debt Service Reserve

and the use or transfer of such excess is not otherwise provided for in the General Resolution, the Trustee, upon the request of the Bank, shall transfer such excess to the applicable sub-account in the Redemption Account. In the event Municipal Bonds or other obligations securing a Loan shall be sold by the Bank in accordance with the terms of the applicable Loan Agreement, or redeemed by the Municipality, the Bank shall deposit the proceeds from such sale or redemption, except an amount thereof equal to the cost and expenses of the Bank in effectuating the redemption of the Bonds to be redeemed upon such sale by the Bank or redemption by the Municipality, into the applicable sub-account in the Redemption Account.

If at any time the monies on deposit to the credit of the Reserve Fund, or the investments thereof, are less than the Required Debt Service Reserve, and there are then monies on deposit in any sub-account in the Redemption Account resulting from monies credited thereto from the General Account at the direction of the Bank or from excess monies which have been previously transferred from the Reserve Fund to the Redemption Account resulting from the retirement of Bonds, there shall be withdrawn from sub-accounts and deposited to the credit of the Reserve Fund an amount sufficient (or all the monies in said sub-accounts if less than the amount sufficient) to make up such deficiency.

Reserve Fund

The Reserve Fund shall be held by the Trustee. The Bank shall pay into the Reserve Fund (i) such portion of the monies appropriated and made available by the State and paid to the Bank for the purposes of the Reserve Fund; (ii) all monies paid to the Bank pursuant to Section 4675 of the Act for the purpose of restoring the Reserve Fund to the amount of the Required Debt Service Reserve; (iii) such portion of the proceeds of the sale of the Bonds, if any, as shall be provided by the Series Resolution authorizing the issuance thereof; (iv) such portion of the proceeds of the sale of Notes, if any, as shall be provided by the resolution of the Bank authorizing the issuance thereof; and (v) any other monies which may be made available to the Bank for the purposes of the Reserve Fund from any other source or sources. The Trustee shall deposit in and credit to the Reserve Fund all monies transferred from the General Account and all monies transferred from the Redemption Account as above provided.

Monies and securities held for the credit of the Reserve Fund shall be transferred by the Trustee to the Interest Account and Principal Account at the times and in the amounts required in the event there shall be, on any interest payment date, a deficiency in the Interest Account, or in the event there shall be, on any principal payment date, a deficiency in the Principal Account.

Any income or interest earned by the Reserve Fund due to the investment thereof shall be transferred by the Trustee promptly to the General Account, but only to the extent that any such transfer will not reduce the amount of the Reserve Fund below the Required Debt Service Reserve. If, at any time upon the payment or retirement of Bonds at maturity or upon purchase or redemption, the monies and securities in the Reserve Fund are in excess of an amount equal to the Required Debt Service Reserve and the use or transfer of such excess is not otherwise provided for in the General Resolution, the Trustee, upon the written request of the Bank signed by an Authorized Officer, shall transfer such excess to and deposit the same in the Redemption Account. Currently, the Reserve Fund is invested only in direct obligations of the United States of America described in clause (a) of the second paragraph under the heading "INVESTMENT OF FUNDS." However, the Bank reserves the right to invest the Reserve Fund as permitted under the General Resolution as described under such heading.

Investment of Funds

The General Resolution provides that all monies held by the Trustee shall be continuously and fully secured, for the benefit of the Bank and the Holders of the Bonds. The Trustee shall invest the Funds and Accounts upon the direction of the Bank as follows:

Monies in the Revenue Fund (and each of the Accounts therein) and the Reserve Fund shall, as nearly as may be practicable, be invested upon the direction of the Bank in obligations the maturity or redemption date at the option of the holder of which shall coincide as nearly as practicable with the times at which monies in such Funds will be required for the purposes provided in the General Resolution as follows: (a) direct obligations of the United States of America for the payment of money, or obligations for the payment of money which are guaranteed or insured as to payment of principal and interest by the United States of America, and direct obligations for the payment of money, issued by an agency or instrumentality of the United States of America, or obligations for the payment of money which are guaranteed or insured as to payment of principal and interest by an agency or instrumentality of the United States of America, (b) bonds and other legally created direct, general obligations of any state of the United States of America, including the commonwealth of Puerto Rico, and any political subdivision of any state of the United States of America for the payment of money, provided that any such issuer at the date of such investment is not in default in the payment of principal or interest on any of its direct, general obligations, (c) direct obligations for the payment of money, issued by an agency or instrumentality of any state of the United States of America or of the commonwealth of Puerto Rico for the payment of money which are guaranteed or insured as to payment of principal and interest by the state or commonwealth of which the issuer is an instrumentality, (d) bonds and other evidences of indebtedness of the United States of America, of any state thereof, or of any political subdivision thereof, or of any public authority or instrumentality of one or more of the foregoing, which are payable as to both principal and interest from adequate special revenues pledged or otherwise appropriated or by law required to be provided for the purpose of that payment, but not including any obligations payable solely out of special assessments on properties benefited by local improvements; except that bonds or evidences or indebtedness of issuers outside the state of Vermont must be, at the time the investment is made, rated "A" or higher by S&P or Moody's with respect to long term indebtedness and A-1 or P-1 or higher by S&P or Moody's, respectively, with respect to short term indebtedness (in every case without reference to gradations of such categories such as "plus" or "minus"), (e) interest bearing obligations issued, assumed or guaranteed by any solvent institution created or existing under the laws of the United States of America or of any state, whether or not secured, which are not in default as to interest or principal, if those obligations at the time of investment are rated "A" or higher by S&P or Moody's with respect to long term indebtedness and P-1 or A-1 or higher by S&P or Moody's, respectively, with respect to short term indebtedness (in every case without reference to gradations of such categories such as "plus" or "minus"), including, among others, (A) certificates of deposit or time deposits of any bank, any branch of any bank, trust company or national banking association that has a combined capital surplus and undivided profits not less than \$25,000,000, (B) any repurchase agreement with a maturity of not more than 30 days, that is with a bank or trust company (including the Trustee and its affiliates) that has a combined capital, surplus and undivided profits not less than \$100,000,000 or with primary government dealers (any such government dealer must be a member of Securities Investor Protection Corporation), for obligations described in (a) hereof having on the date of the repurchase agreement and on the first day of every month thereafter a fair market value equal to at least 102% of the amount of the repurchase obligation of the bank, trust company or government dealer; provided, however, that (i) the purchase obligation of the bank, trust company or government dealer is collateralized by such obligations themselves, (ii) such obligations purchased must be transferred to the Trustee (unless the purchase agreement is with the bank serving as Trustee or any related party) or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations and such Trustee or third party agent and segregated from securities owned generally by the bank, trust company or government dealer, or the Trustee is furnished

with an opinion of counsel stating that a perfected security interest under the Uniform Commercial Code of the state in which the securities are located or book entry procedures present at 31 Code of Federal Regulations ("C.F.R.") §306.1 et seq. or 31 C.F.R. §350.0 et seq. in such investments has been created for the benefit of the Holders of the Bonds, and (iii) if the repurchase agreement is with the bank serving as Trustee or any related party, the third party holding such investments holds them as agent for the beneficial owners of the Bonds rather than as agent for the bank serving as Trustee or any other party and the investments be evaluated no less frequently than weekly to determine if their fair market value equals or exceeds the required 102% level and, if upon such valuation, the fair market value is found to be deficient, then the bank, trust company or government dealer shall have no more than five business days to pledge additional obligations authorized hereunder for such repurchase agreement so as to satisfy such requirement or the third party holding the investments must be required to liquidate the collateral and disburse the proceeds to the Trustee, (f) units of a taxable government money market portfolio comprised solely of obligations listed in (a) above with the yield adjusted so as to maintain the value of such units at par and (g) such other investments as may from time to time be permitted by the Act and approved in writing by Moody's and S&P.

In lieu of the investments of monies above authorized, the Trustee shall upon direction of the Bank deposit monies from any fund or account held by the Trustee under the terms of the General Resolution in interest-bearing time deposits, or shall make other similar banking arrangements, with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation; provided, that all monies in each such interest-bearing time deposit or other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the United States of America or the State, of a market value equal at all times to the amount of the deposit or the other similar banking arrangement.

Issuance of Additional Bonds

The General Resolution provides that the Bank shall not hereafter create or permit the creation of or issue any obligations or create any additional indebtedness which will be secured by a charge and lien on the Municipal Bonds and the Municipal Bonds Payments or which will be payable from the Revenue Fund or Reserve Fund, except that additional Series of Bonds may be issued from time to time pursuant to a Series Resolution subsequent to the issuance of the initial Series of Bonds under the General Resolution on a parity with the Bonds of such initial Series of Bonds and secured by an equal charge and lien on the Municipal Bonds and the Municipal Bonds Payments, and payable equally and ratably from the Revenue Fund and Reserve Fund for the purposes of (i) making Loans to Municipalities, (ii) making payments into the Interest Account, the Operating Account or the Reserve Fund, (iii) the funding of Notes theretofore issued by the Bank to provide funds to make Loans, and (iv) subject to the provisions and limitations on the issuance of Refunding Bonds, the refunding of any Bonds then Outstanding, under the conditions and subject to the limitations stated below.

No additional Series of Bonds shall be issued subsequent to the issuance of the initial Series of Bonds under the General Resolution unless:

- (a) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and Notes of the Bank theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;
- (b) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the General Resolution or any Series Resolution to be paid into the Revenue Fund and into the Reserve Fund;

(c) the amount of the Reserve Fund, upon the issuance and delivery of such additional Bonds and the deposit in the Reserve Fund of any amount provided therefor in the Series Resolution authorizing the issuance of such additional Bonds, shall not be less than the Required Debt Service Reserve;

(d) the provisions of Section 4675 of the Act providing for the maintenance of the Reserve Fund in an amount equal to the Required Debt Service Reserve by the appropriation and payment of monies by the State for such purpose shall not have been repealed or amended to the detriment of Bondholders; and

(e) upon the issuance of such additional obligations there shall be scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution which, when added to interest and other income estimated by the Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding Bonds when due.

The Bank expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue Notes and any other obligations so long as the same are not a charge or lien on the Municipal Bonds, the Municipal Bonds Payments and the Fees and Charges, or payable from the Revenue Fund or Reserve Fund created pursuant to the General Resolution. In addition, the Bank may issue Variable Rate Bonds under the General Resolution.

Issuance of Refunding Bonds

The General Resolution provides that: (1) All or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Resolution and the Series Resolution authorizing said Series of Refunding Bonds.

(2) A Series of Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the General Resolution for the delivery of any Series of Bonds) of:

(a) A certificate of an Authorized Officer setting forth (1) the Aggregate Debt Service for the then current and each future calendar year (i) with respect to all Series of Bonds Outstanding immediately prior to such authentication and delivery and (ii) with respect to all Series of Bonds to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service for each such year set forth pursuant to (1)(ii) of this paragraph (a) is no greater than the Aggregate Debt Service set forth pursuant to (1)(i) of this paragraph (a);

(b) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;

(c) Irrevocable instructions to the Trustee, satisfactory to it, to mail the required notice to the Holders of the Bonds being refunded;

(d) Either (i) monies in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which monies shall be held by the Trustee or any one or more of the Paying

Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) direct obligations of the United States of America in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the General Resolution relative to defeasance of Bonds and any monies required pursuant thereto, which direct obligations of the United States of America and monies shall be held in trust and used only as provided by such provisions; and

(e) A certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of the General Resolution which provide for Refunding Bonds.

(3) In the event that the Aggregate Debt Service immediately after issuance of the Refunding Bonds is reduced, the Bank shall allocate the Debt Service savings to certain Municipalities in the manner specified in the Series Resolution authorizing such Series.

Modification of Loan Agreement Terms

The Bank shall not consent to the modification of, or modify, the rate or rates of interest or method of determining such rates, or the amount or time of payment of any installment of principal or interest of any Municipal Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loan, or the security for or any terms and provisions of such Loan or the Municipal Bonds evidencing the same, in a manner which adversely affects or diminishes the rights of the Bondholders; provided, however, that, in the event the Bonds issued to provide the funds with which the Bank has made a Loan are being or have been refunded and the Refunding Bonds are in a principal amount in excess of or less than the principal amount of the Bonds refunded, the Bank may consent to the modification of and modify the Loan Agreement relating to such Loan and the Municipal Bonds evidencing the same, and the Municipal Bonds Payments to be made thereunder so long as such Municipal Bonds Payments are sufficient to maintain the scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution which, when added to interest and other income estimated by the Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding Bonds when due.

Sale of Municipal Bonds by Bank

The Bank shall not sell any Municipal Bonds or other obligations issued as evidence of a Loan made by the Bank prior to the date on which a sufficient amount of Outstanding Bonds issued with respect to such Loan are redeemable, and shall not after such date sell any such Municipal Bonds or other obligations issued as evidence of a Loan made by the Bank, unless the sales price thereof received by the Bank shall not be less than the aggregate of: (i) the principal amount, the interest to accrue to the redemption date and redemption premium, if any, needed to redeem a sufficient amount of Bonds to assure Bank compliance with the provisions of the General Resolution governing the scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution which, when added to interest and other income estimated by the Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding Bonds when due, and (ii) the costs and expenses of the Bank in effecting the redemption of the Outstanding Bonds so to be redeemed, less the amount of monies or securities available in the applicable sub-account or sub-accounts in the Redemption Account and available for withdrawal from the Reserve Fund and for application to the redemption of such Bonds in accordance with the terms and provisions of the General Resolution, as determined by the Bank.

Accounts and Reports

(1) The Bank shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Municipal Bonds Payments, Municipal Bonds, the Fees and Charges and all funds and accounts established by the General Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than five percent (5%) in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(2) The Bank shall annually, within ninety (90) days after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such Fiscal Year (the "Annual Report"), accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (a) its operations and accomplishments; (b) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the Bank for its operating and capital outlay purposes; (c) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Municipal Bonds Payments, Municipal Bonds, Fees and Charges and the status of reserve, special or other funds and the funds and accounts established by the General Resolution; and (d) a schedule of its Bonds Outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of each such annual report and Accountant's Certificate shall be mailed promptly thereafter by the Bank to each Bondholder who shall have filed his name and address with the Bank for such purpose.

Budgets

(1) The Bank shall, at least sixty (60) days prior to the beginning of each calendar year, prepare and file in the office of the Trustee a preliminary budget covering its fiscal operations for the succeeding calendar year which shall be open to inspection by any Bondholder. The Bank shall also prepare a summary of such preliminary budget and on or before forty-five (45) days prior to the beginning of each calendar year mail a copy thereof to any Bondholder who shall have filed his name and address with the Bank for such purpose.

(2) In the event the Holders of ten percent (10%) or more in principal amount of the Outstanding Bonds shall file with the Bank thirty (30) days or more prior to the beginning of a calendar year a written request for a public hearing on such preliminary budget, the Bank shall call and hold such public hearing in the City of Montpelier, in the State of Vermont, such hearing to be held not later than fifteen (15) days prior to the beginning of such calendar year. Notice of such public hearing shall be published once in an Authorized Newspaper, not less than ten (10) days prior to the date of such hearing, and shall contain a statement of the purpose of the hearing and the place and hour at which the same will be held. At such hearing any Bondholder, or his duly authorized attorney or representative, shall be entitled to be heard on any of the provisions contained in such preliminary budget.

(3) The Bank shall adopt an annual budget covering its fiscal operations for the succeeding calendar year not later than December 1 of each year and file the same with the Trustee and with such officials of the State as required by the Act, as then amended, which budget shall be open to inspection by any Bondholder. In the event the Bank shall not adopt an annual budget for the succeeding calendar year on or before December 1, the budget for the preceding calendar year shall be deemed to have been adopted and be in effect for such calendar year until the annual budget for such calendar year shall have been adopted as above provided. The Bank may at any time adopt an amended annual budget in the manner provided in the Act as then amended.

Personnel and Servicing of Programs

(1) The Bank shall at all times appoint, retain and employ competent personnel for the purpose of carrying out its respective programs and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by the Bank shall be qualified for their respective positions.

(2) The Bank may pay to the respective State agency, municipality or political subdivision of the State from the Operating Account such amounts as are necessary to reimburse the respective State agency, municipality or political subdivision of the State for the reasonable costs of any services performed for the Bank.

Waiver of Laws

The Bank shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the General Resolution or in any Series Resolution or in the Bonds, and all benefit or advantage of any such law or laws has been expressly waived by the Bank.

Defaults

The Trustee shall be and by the General Resolution is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 4702 of the Act, and the right of Bondholders to appoint a trustee pursuant to Section 4702 of the Act is abrogated in accordance with the provision of subdivision 18 of Section 4648 of the Act.

The General Resolution declares each of the following events an “event of default”:

(a) If the Bank shall default in the payment of the principal or Redemption Price of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days; or

(b) if the Bank shall fail or refuse to comply with the provisions of Section 4675 of the Act, or the State shall fail to appropriate and pay to the Bank, as and when required by such Section, for deposit in the Reserve Fund any amount or amounts as shall be certified by the Chairman of the Bank pursuant to such provisions of the Act; or

(c) if the Bank shall fail or refuse to comply with the provisions of the Act, other than as provided in (b) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the General Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Holders of not less than five percent (5%) in principal amount of the Outstanding Bonds;

provided, however, that an event of default shall not be deemed to exist under the provisions of clause (c) above upon failure of the Bank to make and collect Fees and Charges required to be made and collected by the provisions of the General Resolution or upon the failure of the Bank to enforce any obligation undertaken by a Municipality pursuant to a Loan Agreement including the making of the stipulated Municipal Bonds Payments so long as the Bank may be otherwise directed by law and so long as the Bank shall be provided with monies from the State or otherwise, other than withdrawals from or

reimbursements of the Reserve Fund, sufficient in amount to pay the principal of and interest on all Bonds as the same shall become due during the period for which the Bank shall be directed by law to abstain from making and collecting such Fees and Charges and from enforcing the obligations of a Municipality under the applicable Loan Agreement.

Remedies

(1) Upon the happening and continuance of any event of default specified in paragraph (a) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraphs (b) and (c) above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights;

(a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Bank to make and collect Fees and Charges and Municipal Bonds Payments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges and Municipal Bonds Payments, and other properties and to require the Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Bank to account as if it were the Trustee of an express trust for the Holders of the Bonds;

(d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(e) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

(2) In the enforcement of any remedy under the General Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Bank for principal, Redemption Price, interest or otherwise, under any provision of the General Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Bank for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable.

Priority of Payments After Default

In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at

maturity or by call for redemption) and any other monies received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the General Resolution, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

These provisions are in all respects subject to provisions in the General Resolution as to the extension of payment of principal and interest on the Bonds.

Whenever monies are to be applied by the Trustee pursuant to the provisions of the General Resolution provision governing priority of payments after default, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such monies with the Paying Agents, or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Bank, to any Bondholder or to any other person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the General Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Termination of Proceedings

In case any proceeding taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights under the General Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Resolution, or for the protection or enforcement of any right under the General Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the General Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the General Resolution or for any other remedy provided in the General Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Resolution, or to enforce any right thereunder or under law with respect to the Bonds or the General Resolution, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions, the obligation of the Bank shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof pertaining thereto at the respective due dates thereof, and nothing therein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything in the General Resolution to the contrary notwithstanding, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Resolution or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorney's fees, against any party litigant in any suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but such provisions shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five percent (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Holders of the Bonds under the General Resolution is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or by statute.

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Resolution known to the Trustee within ninety (90) days after the knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Revenue Fund or the Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof: (1) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

Modifications of Resolution and Outstanding Bonds

The General Resolution provides procedures whereby the Bank may amend the General Resolution or a Series Resolution by adoption of a supplemental resolution. Amendments that may be made without the consent of Bondholders must be for purposes of further securing the Bonds, imposing further limitations on or surrendering rights of the Bank or curing ambiguities.

Amendments of the respective rights and obligations of the Bank and the Bondholders may be made with the written consent of the Holders of not less than sixty-six and two-thirds percent ($66\frac{2}{3}\%$) in principal amount of the Outstanding Bonds to which the amendment applies; but no such amendment shall permit a change in the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, or the rate of interest thereon or reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect such amendment.

Amendments may be made in any respect with the written consent of the Holders of all of the Bonds then Outstanding.

Defeasance

(1) If the Bank shall pay or cause to be paid to the Holders of all Bonds and coupons then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then, at the option of the Bank, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Bank to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Bank, execute and deliver to the Bank all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Bank all money, securities and funds held by them pursuant to the General Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(2) Bonds or interest installments for the payment or redemption of which monies shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Bank of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) above. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Bank shall have given to the Trustee in form satisfactory to it, irrevocable instructions to mail notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either monies in an amount which shall be sufficient, or direct obligations of the United States of America the principal of and the interest on which when due will provide monies which, together with the monies, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to mail notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the General Resolution and stating such maturity or redemption date upon which monies are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Failure to mail any notice shall not effect the ability of the Bank to defease any of the Bonds. Neither direct obligations of the United States of America or monies deposited with the Trustee pursuant to the provision in the General Resolution providing for defeasance or principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided, however, that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Bank, as received by the Trustee, free and clear of any trust, lien or pledge.

(3) Anything in the General Resolution to the contrary notwithstanding, any monies held by the Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such monies were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such monies if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Bank, be repaid by the Fiduciary

to the Bank, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Bank for the payment of such Bonds; provided, however, that before being required to make any such payment to the Bank, the Fiduciary shall, at the expense of the Bank, mail to the Bondholders and cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said monies remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such monies then unclaimed will be returned to the Bank.

SUMMARY OF AMENDED AND RESTATED GENERAL RESOLUTION

“Accreted Value” shall mean, as of any interest payment date, with respect to any non-interest bearing Bonds, the amount representing the original principal plus the amount of interest that has accrued to such date as specified in the Series Resolution.

“Adjusted Debt Service” shall mean Debt Service less the amounts set forth in clauses (iii), (iv) and (v) of the definition of Revenues.

“Adjusted Revenues” shall mean Revenues less the amounts set forth in clauses (iii), (iv) and (v) of the definition thereof.

“Administrative Expenses” shall mean the Bank’s expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, and shall include, without limiting the generality of the foregoing: administrative expenses, legal, accounting and consultant’s services and expenses, payments to underwriters or placement agents of the Bonds, payments to pension, retirement, health and hospitalization funds, fees of a Credit Bank or insurer, rebate payments to the United States Treasury Department, and any other expenses required or permitted to be paid by the Bank under the provisions of the Act or the General Resolution or otherwise.

“Agency Obligations” shall mean obligations issued or guaranteed by the Federal National Mortgage Association, Government National Mortgage Association, Federal Financing Bank, Federal Intermediate Credit Banks, Federal Farm Credit Bank, Banks for Cooperatives, Federal Land Banks, Federal Farm Credit Banks Funding Corporation, Farm Credit System Financial Assistance Corporation, Federal Home Loan Banks, Farmers Home Administration, Export-Import Bank of the United States, Resolution Funding Corporation, Student Loan Marketing Association, United States Postal Service, Tennessee Valley Authority, Federal Home Loan Mortgage Corporation or any other agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America. ***“Aggregate Debt Service”*** for any period shall mean, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

“Aggregate Debt Service” for any period shall mean, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

“Aggregate Interest” for any period shall mean, as of any date of calculation, an amount equal to interest accruing during such period on all Bonds. Such interest shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of the principal amount of such Bonds on the due date thereof. With respect to Variable Rate Bonds or variable rate Municipal Bonds interest requirements shall be determined by reference to the maximum interest rate.

“Amortized Value,” when used with respect to Investment Securities purchased at a premium above or a discount below par, shall mean the value as of any given time obtained by dividing the total premium or discount at which such Investment Security was purchased by the number of days remaining to maturity on such Investment Security at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase, and (1) in the case of an Investment Security purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an Investment Security purchased at a discount by adding the product thus obtained to the purchased price.

“Bond” or “Bonds” shall mean any Bond or the issue of Bonds, as the case may be, established and created by the General Resolution and issued pursuant to a Series Resolution, which includes Legacy Bonds, Community Revenue Bonds and Enhanced Community Revenue Bonds.

“Bondholders” or “Holder of Bonds” or “Holder” (when used with reference to Bonds) or the registered owner of any Outstanding Bond or Bonds.

“Community Revenue Bond Coverage Ratio” shall mean the amount calculated by dividing the sum of estimated Adjusted Revenues for each of the then-current and future Fiscal Years in which Community Revenue Bonds are Outstanding divided by the aggregate scheduled Adjusted Debt Service on Outstanding Community Revenue Bonds and Legacy Bonds, if any, for each such year.

“Community Revenue Bond Coverage Ratio Requirement” shall mean the greater of (i) 100% and (ii) the percentage specified in the Series Resolution authorizing the issuance of a Series of Community Revenue Bonds.

“Community Revenue Bonds” shall mean Bonds issued by the Bank pursuant to the General Resolution and identified as “Community Revenue Bonds” in the Series Resolution providing for the issuance of such Bonds. Community Revenue Bonds are secured by a pledge of and lien on the Revenues junior and subordinate to the pledge and lien securing the Legacy Bonds and senior and superior to the pledge and lien on the Revenues securing the Enhanced Community Revenue Bonds. Community Revenue Bonds are not secured by the Reserve Fund.

“Credit Bank” shall mean with respect to purchases in connection with tenders of Variable Rate Bonds, the person (other than an Insurer) providing a letter of credit, a line of credit, a guaranty or other credit- or liquidity-enhancement facility, as designated in the Series Resolution providing for the issuance of such Bonds.

“Credit Facility” shall mean with respect to purchases in connection with tenders of Variable Rate Bonds, a letter of credit, a line of credit, a guaranty or another credit- or liquidity-enhancement facility (other than an insurance policy issued by an Insurer), as designated in the Series Resolution providing for the issuance of such Bonds.

“Debt Service” for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, and (ii) that portion of principal for such Series which would accrue during such period if such principal were deemed to accrue daily in equal amounts from the next preceding principal payment date for such Series (or, if there shall be no such preceding principal payment date, from a date one year preceding the due date of such principal payment or from the date of delivery of such Series of Bonds if such date occurred less than one year prior to the date of such principal payment). Such interest and principal payments for such Series shall be calculated on the assumption that no Bonds (except Variable Rate Bonds actually tendered for payment prior to the stated maturity thereof) of such Series Outstanding at

the date of calculation will cease to be Outstanding except by reason of the payment of the principal payment on the due date thereof; provided, however, that with respect to Variable Rate Bonds tendered for payment before the stated maturity thereof, interest shall be deemed to accrue on the date required to be paid pursuant to such tender, and provided further, that with respect to Variable Rate Bonds or variable rate Municipal Bonds interest requirements shall be determined by reference to the maximum interest rate. A Series Resolution may provide that interest expense on Credit Facilities drawn upon to purchase but not to retire Bonds, to the extent such interest exceeds the interest otherwise payable on such Bonds may be included in the determination of Debt Service.

“Enhanced Community Revenue Bonds” shall mean Bonds issued by the Bank pursuant to the General Resolution and identified as “Enhanced Community Revenue Bonds” in the Series Resolution authorizing the issuance of such Bonds. Enhanced Community Revenue Bonds are secured by a pledge of and lien on the Revenues junior and subordinate to the pledge and lien securing the Legacy Bonds and the Community Revenue Bonds. Enhanced Community Revenue Bonds are secured by the Reserve Fund.

“Fees and Charges” shall mean all fees and charges authorized to be charged by the Bank pursuant to subsection (8) of section 4591 of the Act and charged by the Bank to Municipalities pursuant to the terms and provisions of Loan Agreements.

“Equity-Funded Loan” shall have the meaning described under the heading “Loans from Other Funds; Substitution of Municipal Bonds.”

“Fees and Charges” shall mean all fees and charges authorized to be charged by the Bank pursuant to subsection (8) of section 4591 of the Act and charged by the Bank to Municipalities pursuant to the terms and provisions of Loan Agreements.

“Fiduciary” or **“Fiduciaries”** shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

“Fiscal Year” shall mean any twelve (12) consecutive calendar months commencing with the first day of January and ending on the last day of the following December.

“Government Obligations” shall mean (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, or (ii) evidences of ownership in direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized under the laws of the United States of America or any state thereof as custodian.

“Insurer” shall mean, as to any particular maturity or any particular series of the Bonds, the person undertaking to insure such Bonds, as designated in the Series Resolution providing for the issuance of such Bonds.

“Interest Account” shall mean the account by that name established by the General Resolution, consisting of the Legacy Bond Subaccount, the Community Revenue Bond Subaccount and the Enhanced Community Revenue Bond Subaccount.

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal for investment of Issuer funds:

- (i) Government Obligations;

(ii) *debt obligations which are (a) issued by any state or political subdivision thereof or any agency or instrumentality of such state or political subdivision, and (b) at the time of purchase, rated in one of the two highest Rating Categories assigned by any Rating Agency;*

(iii) *general obligations of the State of Vermont or obligations unconditionally guaranteed by the State of Vermont;*

(iv) *Agency Obligations;*

(v) *U.S. denominated deposit account, certificates of deposit and banker's acceptances of any bank, trust company, or savings and loan association, including the Trustee or its affiliates, which (i) have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term Rating Category assigned by any Rating Agency, and which mature not more than 360 days after the date of purchase, or (ii) are fully and continuously insured by the Federal Deposit Insurance Corporation;*

(vi) *commercial paper which is rated at the time of purchase in the highest short-term Rating Category assigned by any Rating Agency, and which matures not more than 270 days after the date of purchase;*

(vii) *bonds, notes, debentures or other evidences of indebtedness issued or guaranteed by a corporation which are, at the time of purchase, rated by any Rating Agency in any of the two highest Rating Categories;*

(viii) *repurchase agreements with respect to and secured by Government Obligations, Agency Obligations, or by obligations described in clause (ii) and (iii) above, which agreements may be entered into with a bank (including without limitation the Trustee), a trust company, financial services firm, insurance company or a broker dealer which is a member of the Securities Investors Protection Corporation, provided that (a) the Trustee or a custodial agent of the Trustee has possession of the collateral and that the collateral is, to the knowledge of the Trustee, free and clear of third-party claims, (b) a master repurchase agreement or specific written repurchase agreement governs the transaction, (c) the collateral securities are valued no less frequently than monthly, (d) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%, and (e) such obligations must be held in custody of the Trustee or Trustee's agent;*

(ix) *investments in a money market fund, which may be funds of the Trustee or an affiliate of the Trustee, rated (at the time of purchase) in the highest Rating Category for this type of investment by any Rating Agency; and*

(x) *any other investment in which moneys of the Bank may be legally invested.*

“Legacy Bonds” *shall mean all Bonds issued under the General Resolution prior to the effective date of the Amendment and Restatement initially adopted in the Series Resolution authorizing the issuance of the 2022 Series 2 Bonds, adopted June 27, 2022.*

“Loan” *shall mean a loan heretofore or hereafter made by the Bank to a Municipality pursuant to the Act and more particularly described in the applicable Series Resolution.*

“Loan Agreement” *shall mean an agreement heretofore or hereafter entered into between the Bank and a Municipality setting forth the terms and conditions of a Loan.*

“Municipal Bonds” shall mean the bonds, notes, or other evidence of debt issued by any Municipality and authorized pursuant to the Act and other laws of the State and which have heretofore or will hereafter be acquired by the Bank as evidence of indebtedness of a Loan to the Municipality pursuant to the Act.

“Municipal Bonds Payment” shall mean the amounts paid or required to be paid, from time to time, for principal and interest by a Municipality to the Bank on Municipal Bonds.

“Municipality” shall mean counties, municipalities or other public bodies of the State.

“Outstanding” when used with reference to Bonds, other than Bonds owned or held by the Bank, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the General Resolution, except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date, provided that if such bonds are to be redeemed, notice of such redemption shall have been given as in Article IV of the Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Resolution, (iv) Bonds deemed to have been paid as provided in (2) under the heading “Defeasance” below and (v) Variable Rate Bonds for which the Purchase Price has been deposited with the Trustee.

“Paying Agent” for the Bonds of any Series shall mean the bank or trust company and its successor or successors, appointed pursuant to the provisions of the General Resolution and a Series Resolution or any other resolution of the Bank adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed.

“Principal Account” shall mean the account by that name established by the General Resolution, consisting of the Legacy Bond Subaccount, the Community Revenue Bond Subaccount and the Enhanced Community Revenue Bond Subaccount.

“Rating Agency” shall mean any of the following Nationally Recognized Statistical Rating Organizations: Fitch Ratings, Inc., Moody’s Investors Service, Inc., and/or S&P Global Ratings.

“Rating Category” shall mean (i) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (ii) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Resolution and the Series Resolution pursuant to which the same was issued.

“Required Debt Service Reserve” shall mean, as of any date of calculation, the sum of amounts of money (or cash equivalent available under a letter of credit, insurance policy or similar security instrument) required to be on deposit in the Reserve Fund pursuant to each Series Resolution which amounts with respect to each Series of Legacy Bonds and each Series of Enhanced Community Revenue Bonds issued hereunder shall be equal to the least of: the maximum amount of aggregate principal and interest maturing and becoming due in any succeeding calendar year on all Legacy Bonds and Enhanced

Community Revenue Bonds then Outstanding as of such date of calculation, 125% of average annual aggregate Debt Service due on all Legacy Bonds and Enhanced Community Revenue Bonds Outstanding as of such date of calculation, or 10% of the aggregate proceeds of all Legacy Bonds and Enhanced Community Revenue Bonds Outstanding as of such date of calculation. With respect to Variable Rate Bonds, and for purposes of determining the Required Debt Service Reserve, interest requirements shall be determined in the manner set forth in the Series Resolution.

“Revenues” shall mean (i) Municipal Bond Payments, (ii) investment earnings on amounts in the Revenue Fund, (iii) any proceeds of a Series of Bonds originally deposited with the Trustee for the payment of interest thereon, (iv) investment earnings on amounts in the Reserve Fund transferred to the Principal Account and Interest Account in accordance with the General Resolution, and (v) amounts released from the Reserve Fund as a result of the payment at maturity, refunding, redemption or defeasance of Legacy Bonds or Enhanced Community Revenue Bonds, and any other revenues that may be identified as Revenues under a Series Resolution. Revenues shall not include (x) any amounts on deposit in a Rebate Fund, (y) any payment made by the State to replenish the Reserve Fund under Section 4675 of the Act.

“Variable Rate Bonds” means any Bonds the interest rate on which is not established at the time of issuance of such bonds at a single numerical rate for the entire term of such Bonds a feature of which may include an option on the part of the Holders of such Bonds to tender to the Bank or to any depository, Paying Agent or other fiduciary for such Holders, or to an agent of any of the foregoing, all or a portion of such Bonds for purchase. No Variable Rate Bonds shall be issued unless (a) such Bonds shall have been rated “A” or higher (without reference to gradations of such categories such as “plus” or “minus”) by Moody’s and S&P, (b) any obligations the Bank may have, other than its obligation on such Bonds (which need not be uniform as to all Holders thereof), to reimburse any person for its having extended a Credit Facility or similar arrangement shall be subordinated to the obligation of the Bank on the Bonds (c) a maximum interest rate is established in the Series Resolution authorizing such Bonds and (d) upon any change in the interest rate of such Variable Rate Bonds, there shall be scheduled payments of principal and interest on Municipal Bonds pledged under the Resolution which, when added to interest and other income under the General Resolution, will be sufficient to pay debt service on all Outstanding Bonds when due.

FUNDS AND ACCOUNTS

The General Resolution establishes the following special Funds and Accounts held by the Trustee:

Revenue Fund

General Account

Operating Account

Interest Account

Legacy Bond Subaccount

Community Revenue Bond Subaccount

Enhanced Community Revenue Bond Subaccount

Principal Account

Legacy Bond Subaccount

Community Revenue Bond Subaccount

Enhanced Community Revenue Bond Subaccount

Redemption Account

Reserve Fund (for Legacy Bonds and Enhanced Community Revenue Bonds only)

Revenue Fund

General Account

The General Resolution provides for the deposit to the General Account of: (i) all proceeds of a Series of Bonds to be used to make Loans; (ii) any income or interest earned by the Reserve Fund due to the investment thereof (provided a transfer will not reduce the amount of the Reserve Fund below the Required Debt Service Reserve); (iii) the balance of moneys remaining in the Redemption Account when the Trustee is able to purchase principal amounts of Bonds at a purchase price less than an amount equal to the proceeds from the sale or redemption of Municipal Bonds; (iv) the excess of proceeds resulting from a Municipality's redemption of its Municipal Bonds; and (v) all moneys received as Municipal Bonds Payments.

The General Resolution provides for the following withdrawals to be made from the General Account for the following purposes:

On or before each interest payment date of the Bonds, the Trustee shall withdraw from the General Account and deposit in the Interest Account an amount which, when added to the amount then on deposit in the applicable Subaccount of the Interest Account, will on such interest payment date be equal to the installment of interest on the respective Bonds then falling due, in the following priority:

(a) First, to the Legacy Bond Subaccount, the amount of interest on the Legacy Bonds, if any, then falling due;

(b) Second, to the Community Revenue Bond Subaccount, the amount of interest on the Community Revenue Bonds, if any, then falling due; and

(c) Third, to the Enhanced Community Revenue Bond Subaccount, the amount of interest on the Enhanced Community Revenue Bonds, if any, then falling due.

On or before each principal payment date of the Bonds, the Trustee shall withdraw from the General Account and deposit in the Principal Account an amount which, when added to the amount then on deposit in the applicable Subaccount of the Principal Account, will on such principal payment date be equal to the principal becoming due on the respective Bonds on such principal payment date, in the following priority:

(a) First, to the Legacy Bond Subaccount, the amount of principal becoming due on the Legacy Bonds, if any;

(b) Second, to the Community Revenue Bond Subaccount, the amount of principal becoming due on the Community Revenue Bonds, if any; and

(c) Third, to the Enhanced Community Revenue Bond Subaccount, the amount of principal becoming due on the Enhanced Community Revenue Bonds, if any.

On or before each interest payment date of the Bonds after providing for the payments into the Interest Account and the principal payments, if any, pursuant described above, the Trustee shall withdraw from the General Account and deposit in the Operating Account the aggregate of the amounts requisitioned by the Bank as of such interest payment date for the six-month period to and including the next succeeding interest payment date, for the following purposes:

(a) To pay the estimated Administrative Expenses of the Bank due and to become due during such six-month period;

(b) To pay the fees and expenses of the Trustee and Paying Agents then due and to become due during such six-month period; and

(c) Financing costs incurred with respect to a Series of Bonds, including fees and expenses of the attorney or firm of attorneys of recognized standing in the field of municipal law selected by the Bank, initial Trustee's and Paying Agent's fees and expenses, costs and expenses of financial consultants, printing costs and expenses, the payment to any officers, departments, boards, agencies, divisions and commissions of the State of any statement of cost and expense rendered to the Bank pursuant to Section 4556 of the Act, and all other financing and other miscellaneous costs, in the aggregate amount specified in the resolution authorizing such Series of Bonds.

As of the last day of each Fiscal Year, and not later than the twentieth day (20th) of the succeeding Fiscal Year, after providing for all payments required to have been made during such Fiscal Year into applicable Subaccounts of the Interest Account described above, into the applicable Subaccounts of Principal Account described above, and into the Operating Account as described above, the Trustee shall withdraw from the balance of the moneys so remaining in the General Account and deposit to the credit of the Reserve Fund such amount (or the balance of the moneys so remaining in the General Account if less than the required amount) as shall be required to bring the Reserve Fund up to the Required Debt Service Reserve.

(6) As of the last day of each Fiscal Year, and not later than the twentieth (20th) day of the succeeding Fiscal Year, after providing for all payments required to have been made during such Fiscal Year into applicable Subaccounts of the Interest Account pursuant to paragraph (2) above, into the applicable Subaccounts of the Principal Account pursuant to paragraph (3) above, into the Operating Account pursuant to paragraph (4) above, and after making the transfers, if any, to the Reserve Fund pursuant to paragraph (5) above, the Trustee shall withdraw from the General Account and shall pay to the Bank for any of its lawfully authorized purposes the balance of the moneys so remaining in the General Account; provided, however, that the Bank, in its absolute discretion, may direct the Trustee to deposit any or all of such balance to be withdrawn from the General Account to the credit of the Redemption Account and the payment to the Bank of such balance shall be reduced accordingly; and provided further that no such transfer to the Bank shall be made unless, after giving effect to such transfer, total assets of Accounts established under the General Resolution shall exceed total liabilities, determined in accordance with generally accepted accounting principles and evidenced by a certificate of an Authorized Officer.

In addition, amounts on deposit in the General Account representing earnings on investments in the Reserve Fund may be deposited at any time into the applicable Rebate Fund in lieu of deposit to the Operating Account for such purpose.

Operating Account

The General Resolution provides that all Fees and Charges received by the Trustee shall be deposited upon receipt in the Operating Account. Such Fees and Charges collected from Municipalities shall be used, together with such portion of the proceeds of the sale of Bonds, if any, as shall be provided by a Series Resolution and the deposits made to the Operating Account from the General Account, as described hereinbefore, and any other monies which may be made available to the Bank for the purposes of the Operating Account from any source or sources, to pay (i) Administrative Expenses of the Bank, (ii)

the fees and expenses of the Trustee and Paying Agents, and (iii) financing costs incurred with respect to a Series of Bonds. Monies at any time held for the credit of the Operating Account shall be used for and applied solely to such purposes. The General Resolution further provides that payments from the Operating Account shall be made by the Trustee upon receipt of a requisition, signed by an Authorized Officer, describing each payment, the amount of the payment, the party to whom payment is to be made, and specifying that each item is a proper charge against the monies in the Operating Account.

Interest Account and Principal Account

(1) The moneys in the respective Subaccounts of the Interest Account, the Principal Account and the Redemption Account shall be used solely for the purpose of paying the principal and Redemption Price of and interest on the respective Bonds and of retiring such Bonds at or prior to maturity in the manner provided herein and in any Series Resolution. All moneys deposited in the Interest Account and the Principal Account in the Revenue Fund shall be disbursed and applied by the Trustee at the times and in the manner provided in the General Resolution.

(2) The Trustee shall, on or before each interest payment date of the Legacy Bonds, pay, out of the moneys then held for the credit of the Legacy Bond Subaccount of the Interest Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the interest becoming due on the Legacy Bonds on such interest payment date, and such amounts so withdrawn are hereby irrevocably pledged for and shall be applied to the payment of such interest. The Trustee shall also pay out of the Legacy Bond Subaccount of the Interest Account to itself and the appropriate Paying Agents, on or before any redemption date for Legacy Bonds being refunded by a Refunding Issue, the amount required for the payment of interest on the Legacy Bonds then to be redeemed, to the extent not otherwise provided pursuant to the other provisions of the General Resolution.

(3) The Trustee shall, on, or before each principal payment date of the Legacy Bonds, pay, out of the moneys then held for the credit of the Legacy Bond Subaccount of the Principal Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the principal becoming due on the Legacy Bonds on such principal payment date, and such amounts so withdrawn are hereby irrevocably pledged for and shall be applied to the payment of such principal.

(4) The Trustee shall, on or before each interest payment date of the Community Revenue Bonds, pay, out of the moneys then held for the credit of the Community Revenue Bond Subaccount of the Interest Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the interest becoming due on the Community Revenue Bonds on such interest payment date, and such amounts so withdrawn are hereby irrevocably pledged for and shall be applied to the payment of such interest. The Trustee shall also pay out of the Community Revenue Bond Subaccount of the Interest Account to itself and the appropriate Paying Agents, on or before any redemption date for Community Revenue Bonds being refunded by a Refunding Issue, the amount required for the payment of interest on the Community Revenue Bonds then to be redeemed, to the extent not otherwise provided pursuant to the other provisions of the General Resolution.

(5) The Trustee shall, on, or before each principal payment date of the Community Revenue Bonds, pay, out of the moneys then held for the credit of the Community Revenue Bond Subaccount of the Principal Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the principal becoming due on the Community Revenue Bonds on such principal payment date, and such amounts so withdrawn are hereby irrevocably pledged for and shall be applied to the payment of such principal.

(6) *The Trustee shall, on or before each interest payment date of the Enhanced Community Revenue Bonds, pay, out of the moneys then held for the credit of the Enhanced Community Revenue Bond Subaccount of the Interest Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the interest becoming due on the Enhanced Community Revenue Bonds on such interest payment date, and such amounts so withdrawn are hereby irrevocably pledged for and shall be applied to the payment of such interest. The Trustee shall also pay out of the Enhanced Community Revenue Bond Subaccount of the Interest Account to itself and the appropriate Paying Agents, on or before any redemption date for Enhanced Community Revenue Bonds being refunded by a Refunding Issue, the amount required for the payment of interest on the Enhanced Community Revenue Bonds then to be redeemed, to the extent not otherwise provided pursuant to the other provisions of the General Resolution.*

(7) *The Trustee shall, on, or before each principal payment date of the Enhanced Community Revenue Bonds, pay, out of the moneys then held for the credit of the Enhanced Community Revenue Bond Subaccount of the Principal Account, to itself and the Paying Agents, the amounts required for the payment by it and such Paying Agents of the principal becoming due on the Enhanced Community Revenue Bonds on such principal payment date, and such amounts so withdrawn are hereby irrevocably pledged for and shall be applied to the payment of such principal.*

Redemption Account

The General Resolution provides that the monies in the Redemption Account shall be used solely for the purpose of paying the Redemption Price on the Bonds. The Trustee shall establish in the Redemption Account a separate sub account for the Bonds of each Series outstanding. Monies held in each such separate sub account by the Trustee shall be applied to the purchase or retirement of the Bonds of the Series in respect of which such sub account was created provided that after such purchase or retirement there shall be scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution which, when added to interest and other income estimated by the Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding Bonds when due. Monies for the redemption of Bonds may be deposited in the Redemption Account from the General Account at the direction of the Bank as provided above in paragraph (5), under the caption "General Account", and, if at any time upon the payment or retirement of Bonds at maturity or upon the purchase or redemption of Bonds the monies and securities in the Reserve Fund are in excess of the Required Debt Service Reserve and the use or transfer of such excess is not otherwise provided for in the General Resolution, the Trustee, upon the request of the Bank, shall transfer such excess to the applicable sub account in the Redemption Account. In the event Municipal Bonds or other obligations securing a Loan shall be sold by the Bank in accordance with the terms of the applicable Loan Agreement, or redeemed by the Municipality, the Bank shall deposit the proceeds from such sale or redemption, except an amount thereof equal to the cost and expenses of the Bank in effectuating the redemption of the Bonds to be redeemed upon such sale by the Bank or redemption by the Municipality, into the applicable sub account in the Redemption Account. If at any time the moneys on deposit to the credit of the Reserve Fund, or the investments thereof, are less than the Required Debt Service Reserve, and there are then moneys on deposit in any sub-account in the Redemption Account with respect to Legacy Bonds or Enhanced Community Revenue Bonds resulting from moneys credited thereto pursuant to paragraph (6) of Section 603 or pursuant to paragraph (4) of Section 606, the Trustee shall transfer from each such sub-account in the same ratio as provided for deposits therein pursuant to subparagraph (a) of this paragraph (4), the moneys deposited in the Redemption Account pursuant to paragraph (6) of Section 603 or pursuant to paragraph (4) of Section 606 with respect to Legacy Bonds or Enhanced Community Revenue Bonds, and deposit to the credit of the Reserve Fund the amounts sufficient (or all of the moneys in said sub-accounts if less than the amounts sufficient) to make up such deficiency.

Reserve Fund

(1) *The Reserve Fund shall be held by the Trustee. The Bank shall pay into such Reserve Fund such portion of the moneys appropriated and made available by the State and paid to the Bank for the purpose of the Reserve Fund; all moneys paid to the Bank pursuant to Section 4675 of the Act for the purpose of restoring the Reserve Fund to the amount of the Required Debt Service Reserve; such portion of the proceeds of sale of Enhanced Community Revenue Bonds, if any, as shall be provided by the Series Resolution authorizing the issuance thereof; such portion of the proceeds of the sale of Notes, if any, as shall be provided by the resolution of the Bank authorizing the issuance thereof, and any other moneys which may be made available to the Bank for the purposes of the Reserve Fund from any other source or sources, and the Trustee shall deposit in and credit to the Reserve Fund all moneys transferred from the General Account and all moneys transferred from the Redemption Account, as provided in the General Resolution.*

(2) *Moneys and securities held for the credit of the Reserve Fund shall be transferred by the Trustee to the Interest Account and Principal Account at the times and in the amounts required in the event there shall be, on any interest payment date, a deficiency in the Interest Account, or in the event there shall be, on any principal payment date, a deficiency in the Principal Account, only with respect to Legacy Bonds and Enhanced Community Revenue Bonds.*

(3) *Any income or interest earned by the Reserve Fund due to the investment thereof shall be transferred by the Trustee promptly to the General Account, but only to the extent that any such transfer will not reduce the amount of the Reserve Fund below the Required Debt Service Reserve.*

(4) *If, at any time upon the payment or retirement of Legacy Bonds or Enhanced Community Revenue Bonds at maturity or upon purchase or redemption, the moneys and securities in the Reserve Fund are in excess of an amount equal to the Required Debt Service Reserve and the use or transfer of such excess is not otherwise provided for in the General Resolution, the Trustee, upon the written request of the Bank signed by an Authorized Officer, shall transfer such excess to and deposit the same in the applicable sub-account in the Redemption Account for Legacy Bonds or Enhanced Community Revenue Bonds only.*

Investment of Funds and Accounts Held by the Trustee.

Except as otherwise limited in a Supplemental Resolution or Series Resolution:

(1) *Moneys in the Revenue Fund (and each of the Accounts therein) and the Reserve Fund shall, as nearly as may be practicable, be invested by the Trustee upon direction of the Bank in writing, signed by an Authorized Officer (which direction shall specify the amount thereof to be so invested and the Bank in issuing such direction shall take into consideration the dates and times when moneys in such Account will be required for the purposes of the General Resolution), in Investment Securities.*

(2) *Obligations purchased as an investment of moneys in any fund or account held by the Trustee under the provisions of the General Resolution shall be deemed at all times to be part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account, except that the income or interest earned and profits realized by, the Reserve Fund due to the investment thereof shall be transferred by the Trustee to the General Account in accordance with the General Resolution.*

(3) *In computing the amount on deposit in any fund or account held by the Trustee under the provisions of the General Resolution, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value.*

(4) *Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligation purchased by it as an investment pursuant to the General Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Bank in writing, on or before the twentieth day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of the General Resolution as of the end of the preceding month.*

Issuance of Additional Bonds

The General Resolution provides that the Bank may issue one or more Series of Bonds pursuant to one or more Series Resolutions of the Bank adopted subsequent hereto and the Bonds may be issued in one or more Series. The Bonds of each Series, including Refunding Bonds, shall, in addition to the title "Bonds," contain an appropriate Series designation, including, following the effective date of the Amendments, whether each Series authorized under the Series Resolution constitutes Community Revenue Bonds or Enhanced Community Revenue Bonds.

Issuance of an additional Series of Bonds are subject to the requirement that the Trustee shall have received:

(a) *A Counsel's Opinion dated as of the date of such delivery by the Trustee to the effect that (i) the Bank has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution (with such approvals as may be required by the Act as so amended), and the Resolution has been duly and lawfully adopted by the Bank and such approvals given, is in full force and effect and is valid and binding upon the Bank and enforceable in accordance with its terms, and no other authorization for the Resolution is required; (ii) the Resolution creates the valid pledge which it purports to create of the Municipal Bonds and Municipal Bonds Payments, moneys, securities and funds held or set aside under the Resolution, subject to the application thereof to the purposes and the conditions permitted by the Resolution; and (iii) the Bonds of each such Series are valid, binding and direct obligations of the Bank as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution and of the Act as amended to the date of such Opinion, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such Opinion, and in accordance with the Resolution.*

(b) *A certificate of an Authorized Officer demonstrating that upon issuance of such Series of Bonds, Revenues in each year in which such Series of Bonds will be Outstanding will be sufficient to pay Debt Service in each such year on all Outstanding Bonds when due;*

(c) *In the case one or more of such Series constitutes Enhanced Community Revenue Bonds, other than Refunding Bonds, the amount of the Reserve Fund, upon the issuance and delivery of such additional Enhanced Community Revenue Bonds and the deposit in the Reserve Fund of any amount provided therefor in the Series Resolution authorizing the issuance of such additional Bonds, shall not be less than the Required Debt Service Reserve;*

(d) *A written order as to the delivery of such Bonds, signed by an Authorized Officer of the Bank*

(e) *A copy of the Resolution, as supplemented, authorizing such Bonds, certified by an Authorized Officer of the Bank;*

(f) *Except in the case of Refunding Bonds, a certificate of an Authorized Officer of the Bank stating that the Bank is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution; and*

(f) *Such further documents, moneys and securities as are required by the provisions of the General Resolution.*

The Bank expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue Notes and any other obligations so long as the same are not a charge or lien on the Municipal Bonds, the Municipal Bonds Payments and the Fees and Charges, or payable from the Revenue Fund or Reserve Fund created pursuant to the General Resolution. In addition, the Bank may issue Variable Rate Bonds under the General Resolution.

Issuance of Refunding Bonds

The General Resolution provides that: (1) All or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Resolution and the Series Resolution authorizing said Series of Refunding Bonds.

(2) *A Series of Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by it of the documents required by the General Resolution for the delivery of any Series of Bonds) of:*

(a) *A certificate of an Authorized Officer setting forth (1) the Aggregate Debt Service for the then current and each future calendar year (i) with respect to all Series of Bonds Outstanding immediately prior to such authentication and delivery and (ii) with respect to all Series of Bonds to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service for each such year set forth pursuant to (1)(ii) of this paragraph (a) is no greater than the Aggregate Debt Service set forth pursuant to (1)(i) of this paragraph (a);*

(b) *Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;*

(c) *Irrevocable instructions to the Trustee, satisfactory to it, to mail the required notice to the Holders of the Bonds being refunded;*

(d) *Either (i) moneys in an amount sufficient to effect payment to the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) Government Obligations in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be*

necessary to comply with the provisions of the General Resolution relative to defeasance of Bonds and any moneys required pursuant thereto, which direct obligations of the United States of America and moneys shall be held in trust and used only as provided by such provisions; and

(e) A certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of the General Resolution which provide for Refunding Bonds.

(3) In the event that the Aggregate Debt Service immediately after issuance of the Refunding Bonds is reduced, the Bank shall allocate the Debt Service savings to certain Municipalities in the manner specified in the Series Resolution authorizing such Series.

Modification of Loan Agreement Terms

The Bank shall not consent to the modification of, or modify, the rate or rates of interest or method of determining such rates, or the amount or time of payment of any installment of principal or interest of any Municipal Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loan, or the security for or any terms or provisions of such Loan or the Municipal Bonds evidencing the same, unless (i) following such modification, (a) Revenues are sufficient to pay Debt Service on all Outstanding Bonds when due and (b) the Community Revenue Bond Coverage in each year in which Community Revenue Bonds will be Outstanding will be at least equal to the Community Revenue Bond Coverage Ratio Requirement, (ii) the modification is in connection with the issuance of Refunding Bonds and Revenues are sufficient to pay Debt Service on all Outstanding Bonds when due, or (iii) such modification does not adversely affect or diminish the rights of the Bondholders.

Loans from Other Funds; Substitution of Municipal Bonds

Nothing in the General Resolution shall limit the Bank from making one or more loans under the Act from sources of funds other than proceeds of Bonds (each such loan, an "Equity-Funded Loan"). The payments received from the local body receiving such Equity-Funded Loan are not pledged under the General Resolution, nor does any bond issued to secure the Equity-Funded Loan constitute a Municipal Bonds or the payments received with respect thereto constitute Municipal Bond Payments. Notwithstanding the foregoing and anything else in the General Resolution to the contrary, the Bank may substitute an Equity-Funded Loan for an existing Loan, provided (i) the loan agreement governing the Equity-Funded Loan meets the applicable requirements set forth in the General Resolution, (ii) the bond security the Equity-Funded Loan meets the applicable requirements set forth in the Act, and (iii) following such substitution, (a) Revenues are sufficient to pay Debt Service on all Outstanding Bonds when due and (b) such substitution would not adversely affect or diminish the rights of the Bondholders. Following such substitution, the Equity-Funded Loan would become the Loan and the bonds securing such Equity-Funded Loan and the payment made thereunder constitute a Municipal Bond and Municipal Bond Payments, respectively, associated with the Bonds which has been issued to fund the Loan being substituted.

Sale of Municipal Bonds by Bank

The Bank shall not sell any Municipal Bonds or other obligations issued as evidence of a Loan made by the Bank prior to the date on which a sufficient amount of Outstanding Bonds issued with respect to such Loan are redeemable, and shall not after such date sell any such Municipal Bonds or other obligations issued as evidence of a Loan made by the Bank, unless the sales price thereof received by the Bank shall not be less than the aggregate of: (i) the principal amount, the interest to accrue to the redemption date and redemption premium, if any, needed to redeem a sufficient amount of Bonds to

assure Bank compliance with the provisions of the General Resolution governing the scheduled payments of principal and interest on Municipal Bonds pledged under the General Resolution which, when added to interest and other income estimated by the Bank to be derived from the investment or deposit of money available therefor in any Fund or Account created by the General Resolution, will be sufficient to pay Debt Service on all Outstanding Bonds when due, and (ii) the costs and expenses of the Bank in effecting the redemption of the Outstanding Bonds so to be redeemed, less the amount of moneys or securities available in the applicable sub-account or sub-accounts in the Redemption Account and available for withdrawal from the Reserve Fund and for application to the redemption of such Bonds in accordance with the terms and provisions of the General Resolution, as determined by the Bank.

Accounts and Reports

(1) The Bank shall keep, or cause to be kept, proper books of record and account in which complete and correct entries shall be made of its transactions relating to all Municipal Bonds Payments, Municipal Bonds, the Fees and Charges and all funds and accounts established by the General Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than twenty-five percent (25%) in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

(2) The Bank shall cause such books and accounts to be audited annually after the end of its Fiscal Year by an independent public accountant selected by the Bank and shall furnish to the Trustee a copy of the report of such audit. Such audit report shall include at least: (a) a statement of all funds (including investments thereof) held by such Trustee and the Bank pursuant to the provisions hereof; (b) the Bank's receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the Bank for its operating and capital outlay purposes; (c) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Municipal Bonds Payments, Municipal Bonds, Fees and Charges and the status of reserve, special or other funds and the funds and accounts established by the General Resolution; and (d) a schedule of its Bonds Outstanding and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year.

Defaults

The Trustee shall be and by the General Resolution is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 4702 of the Act, and the right of Bondholders to appoint a trustee pursuant to Section 4702 of the Act is abrogated in accordance with the provision of subdivision 18 of Section 4648 of the Act.

The General Resolution declares each of the following events an "event of default":

(a) if the Bank shall default in the payment of the principal or Redemption Price of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for redemption, and such default shall continue for a period of thirty (30) days; or

(b) if the Bank shall fail or refuse to comply with the provisions of Section 4675 of the Act, or the State shall fail to appropriate and pay to the Bank, as and when required by such Section, for deposit in the Reserve Fund any amount or amounts as shall be certified by the Chairman of the Bank pursuant to such provisions of the Act; or

(c) if the Bank shall fail or refuse to comply with the provisions of the Act, other than as provided in (b) above, or shall default in the performance or observance of any other of the

covenants, agreements or conditions on its part in the General Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds;

provided, however, that an event of default shall not be deemed to exist under the provisions of clause (c) above upon failure of the Bank to make and collect Fees and Charges required to be made and collected by the provisions of the General Resolution or upon the failure of the Bank to enforce any obligation undertaken by a Municipality pursuant to a Loan Agreement including the making of the stipulated Municipal Bonds Payments so long as the Bank may be otherwise directed by law and so long as the Bank shall be provided with moneys from the State or otherwise, other than withdrawals from or reimbursements of the Reserve Fund, sufficient in amount to pay the principal of and interest on all Bonds as the same shall become due during the period for which the Bank shall be directed by law to abstain from making and collecting such Fees and Charges and from enforcing the obligations of a Municipality under the applicable Loan Agreement.

Remedies

(1) Upon the happening and continuance of any event of default specified in paragraph (a) above, the Trustee shall proceed, or upon the happening and continuance of any event of default specified in paragraphs (b) and (c) above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights;

(a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Bank to make and collect Fees and Charges and Municipal Bonds Payments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges and Municipal Bonds Payments, and other properties and to require the Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, to require the Bank to account as if it were the Trustee of an express trust for the Holders of the Bonds;

(d) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(e) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences.

(2) In the enforcement of any remedy under the General Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and any time remaining, due from the Bank for principal, Redemption Price, interest or otherwise, under any provision of the General Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together

with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Bank for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Priority of Payments After Default

In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the General Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under the General Resolution, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due on the Legacy Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Legacy Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Legacy Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

Third: To the payment to the persons entitled thereto of all installments of interest then due on the Community Revenue Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

Fourth: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Community Revenue Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Community Revenue Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

Fifth: To the payment to the persons entitled thereto of all installments of interest then due on the Enhanced Community Revenue Bonds in the order of the maturity of such

installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

Sixth: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Enhanced Community Revenue Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Enhanced Community Revenue Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment of the principal and interest then due and unpaid upon the Legacy Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Legacy Bond over any other Legacy Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Legacy Bonds;

Second: To the payment of the principal and interest then due and unpaid upon the Community Revenue Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Community Revenue Bond over any other Community Revenue Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Community Revenue Bonds; and

Third: To the payment of the principal and interest then due and unpaid upon the Enhanced Community Revenue Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Enhanced Community Revenue Bond over any other Enhanced Community Revenue Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Enhanced Community Revenue Bonds.

These provisions are in all respects subject to provisions in the General Resolution as to the extension of payment of principal and interest on the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the General Resolution provision governing priority of payments after default, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Bank, to any Bondholder or to

any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the General Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Termination of Proceedings

In case any proceeding taken by the Trustee on account of any event of default shall have been discontinued or abandoned for any reason, then in every such case the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights under the General Resolution, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Resolution, or for the protection or enforcement of any right under the General Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the General Resolution or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the General Resolution or for any other remedy provided in the General Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Resolution, or to enforce any right thereunder or under law with respect to the Bonds or the General Resolution, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions, the obligation of the Bank shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof pertaining thereto at the respective due dates thereof, and nothing therein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything in the General Resolution to the contrary notwithstanding, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Resolution or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorney's fees, against any party litigant in

any suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but such provisions shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five percent (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Holders of the Bonds under the General Resolution is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or by statute.

No Waiver of Default

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Resolution known to the Trustee within ninety (90) days after the knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Revenue Fund or the Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing written notice thereof: (1) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

Modifications of Resolution and Outstanding Bonds

The General Resolution provides procedures whereby the Bank may amend the General Resolution or a Series Resolution by adoption of a supplemental resolution. Amendments that may be made without the consent of Bondholders must be for purposes of further securing the Bonds, imposing further limitations on or surrendering rights of the Bank or curing ambiguities.

Amendments of the respective rights and obligations of the Bank and the Bondholders may be made with the written consent of the Holders of at least a majority in principal amount of the Outstanding Bonds to which the amendment applies; but no such amendment shall permit a change in the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, or the rate of interest thereon or reduce

the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect such amendment.

Amendments may be made in any respect with the written consent of the Holders of all of the Bonds then Outstanding.

Defeasance

(1) If the Bank shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Bank, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Bank to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Bank, execute and deliver to the Bank all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Bank all money, securities and funds held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(2) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Bank of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) above. All Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (1) above in case any of said Bonds are to be redeemed on any date prior to their maturity, the Bank shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption on said date of such Bonds to the Holders of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Failure to mail any notice shall not affect the ability of the Bank to defease any of the Bonds hereunder. Neither Government Obligations or moneys deposited with the Trustee pursuant to this Section or principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Bank, as received by the Trustee, free and clear of any trust, lien or pledge.

(3) Anything in the General Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six

(6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the Bank, be repaid by the Fiduciary to the Bank, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Bank for the payment of such Bonds.

The proceeds of the 2022 Series 2 Bonds and other available funds are being used primarily to purchase the General Obligation Bonds of the Governmental Units in the principal amounts listed below.

| <u>Governmental Unit*</u> | <u>Amount*</u> |
|-------------------------------------|------------------|
| Champlain Valley School District | \$1,500,000 |
| Duxbury Town | 250,000 |
| Essex Junction Village | 3,070,000 |
| Fairfax Town | 1,175,218 |
| Patricia A. Hannaford Career Center | 8,100,000 |
| St. Albans City | 500,000 |
| Stowe Town | 4,000,000 |
| Montpelier City | <u>4,970,000</u> |
| Total | \$23,565,218 |

* Preliminary, subject to change.

APPENDIX B

TABLE 2

Table 2 sets forth (1) a list of the Governmental Units that have Municipal Bonds outstanding that were purchased by the Bank pursuant to the Bank's General Resolution adopted on May 3, 1988, as supplemented (the "Resolution"), including the Municipal Bonds anticipated to be purchased with the proceeds of the 2022 Series 2 Bonds and other available funds; (2) the anticipated outstanding balances of such Municipal Bonds as of the date of issuance of the 2022 Series 2 Bonds; and (3) the ratio of such balances to the total amount of outstanding Municipal Bonds purchased under the Resolution, expressed as a percentage. Please note that certain of the enumerated Governmental Units are comprised of one or more other Governmental Units. Also, as a result of incentives provided under Act 46 of 2015 of the General Assembly of the State of Vermont, a number of school districts in the State have merged. For school districts with outstanding loans from the Bank, the outstanding balances are shown below on a consolidated basis.

| <u>Governmental Unit</u> | Outstanding Principal <u>Amount*</u> | Percent <u>of Total*</u> |
|---------------------------------------|--|-----------------------------|
| Addison Central School District | \$ 1,031,000 | 0.177% |
| Addison Northwest School District | 10,081,111 | 1.734 |
| Albany Town | 200,000 | 0.034 |
| Barre City | 15,113,289 | 2.599 |
| Barre Town | 535,339 | 0.092 |
| Barre Unified Union School District | 2,750,000 | 0.473 |
| Barstow Unified Union School District | 90,000 | 0.015 |
| Barton Village | 1,677,381 | 0.288 |
| Barton Village (R) | 1,050,000 | 0.181 |
| Bennington Town | 3,627,055 | 0.624 |
| Berlin Town | 35,000 | 0.006 |
| Bethel Town | 105,000 | 0.018 |
| Bradford Town | 312,249 | 0.054 |
| Brandon Fire District #1 | 1,180,000 | 0.203 |
| Brandon Town | 1,924,589 | 0.331 |
| Brattleboro Town | 15,543,333 | 2.673 |
| Bridgewater Town | 1,800,000 | 0.310 |
| Brighton Town | 35,000 | 0.006 |
| Bristol Town | 947,422 | 0.163 |
| Brookline Town | 90,000 | 0.015 |
| Burlington City | 6,890,000 | 1.185 |
| Burlington City (R) | 8,787,372 | 1.511 |
| Cabot Town | 413,427 | 0.071 |
| Cabot Town School District | 60,000 | 0.010 |
| Calais Town | 30,000 | 0.005 |
| Cambridge Town School District | 1,220,000 | 0.210 |
| Canaan School District | 950,000 | 0.163 |
| Castleton Fire District #3 | 1,319,972 | 0.227 |
| Castleton Town | 975,000 | 0.168 |
| Champlain Valley School District | 32,871,994 | 5.653 |

APPENDIX B
TABLE 2

| | | |
|--|--------------|--------|
| Champlain Water District | \$ 4,617,893 | 0.794% |
| Charlotte Town | 1,320,000 | 0.227 |
| Chelsea Town | 1,133,406 | 0.195 |
| Chester Town | 7,499,945 | 1.290 |
| Chittenden County | 270,000 | 0.046 |
| Chittenden Town | 120,000 | 0.021 |
| Colchester Fire District #1 | 696,667 | 0.120 |
| Colchester Fire District #2 | 521,087 | 0.090 |
| Colchester Fire District #3 | 1,706,250 | 0.293 |
| Colchester Town | 1,995,000 | 0.343 |
| Colchester Town School District | 3,529,412 | 0.607 |
| Cold Brook Fire District #1 | 1,615,000 | 0.278 |
| Corinth Town | 765,000 | 0.132 |
| Danby-Mt. Tabor Fire District #1 | 398,713 | 0.069 |
| Danville Fire District #1 | 718,113 | 0.123 |
| Derby Center Village | 619,558 | 0.107 |
| Derby Line Village | 345,000 | 0.059 |
| Derby Town | 260,000 | 0.045 |
| Dummerston Town | 920,000 | 0.158 |
| Duxbury Town | 250,000 | 0.043 |
| East Calais Fire District #1 | 86,931 | 0.015 |
| East Montpelier Town | 945,000 | 0.163 |
| Edward Farrar Utility District | 2,461,147 | 0.423 |
| Enosburg Falls Village | 3,018,324 | 0.519 |
| Enosburg Falls Village (R) | 330,000 | 0.057 |
| Enosburgh-Richford Unified Union School District | 435,000 | 0.075 |
| Essex Junction Village | 6,260,000 | 1.077 |
| Essex Town | 4,140,000 | 0.712 |
| Essex Westford Educational Community Unified Union School District | 3,020,000 | 0.519 |
| Fairfax Town | 1,279,218 | 0.220 |
| Ferrisburgh Fire District #1 | 25,000 | 0.004 |
| Georgia Town | 630,000 | 0.108 |
| Georgia Town School District | 2,000,000 | 0.344 |
| Grand Isle Consolidated Water Dist | 1,106,331 | 0.190 |
| Grand Isle Town | 2,587,500 | 0.445 |
| Greater Upper Valley Solid Waste Management District | 740,000 | 0.127 |
| Green Mountain Unified School District | 825,920 | 0.142 |
| Guilford Town | 19,500 | 0.003 |
| Halifax Town | 10,000 | 0.002 |
| Hardwick Town | 1,088,333 | 0.187 |
| Hartford Town | 17,858,124 | 3.071 |
| Hartford Town School District | 12,373,590 | 2.128 |
| Hartland Town | 1,062,000 | 0.183 |
| Harwood Unified Union School District | 3,690,000 | 0.635 |
| Hinesburg Town | 3,997,671 | 0.688 |
| Hubbardton Town | 110,000 | 0.019 |

APPENDIX B
TABLE 2

| | | | |
|--|----|------------|--------|
| Huntington Town | \$ | 531,500 | 0.091% |
| Jamaica Town | | 562,500 | 0.097 |
| Jericho Town | | 420,000 | 0.072 |
| Jericho Underhill Water District | | 340,000 | 0.058 |
| Johnson Village | | 994,113 | 0.171 |
| Killington Town | | 6,283,734 | 1.081 |
| Lamoille North School District | | 14,968,004 | 2.574 |
| Lamoille South Unified Union School District | | 900,000 | 0.155 |
| Lincoln Town | | 442,500 | 0.076 |
| Ludlow Town | | 1,228,930 | 0.211 |
| Ludlow Mt Holly Unified Union School District | | 80,000 | 0.014 |
| Lyndon Town | | 648,784 | 0.112 |
| Lyndonville Village | | 1,294,218 | 0.223 |
| Manchester Town | | 7,560,650 | 1.300 |
| Maple Run Unified School District | | 8,159,396 | 1.403 |
| Marshfield Village | | 187,934 | 0.032 |
| Mendon Town | | 220,000 | 0.038 |
| Middlebury Town | | 20,050,002 | 3.448 |
| Middlesex Town | | 320,000 | 0.055 |
| Mill River Unified Union School District | | 5,389,500 | 0.927 |
| Milton Town | | 1,577,667 | 0.271 |
| Milton Town School District | | 2,999,250 | 0.516 |
| Missisquoi Valley School District | | 4,704,000 | 0.809 |
| Monkton Town | | 1,615,000 | 0.278 |
| Montgomery Town | | 200,000 | 0.034 |
| Montpelier City | | 17,855,015 | 3.071 |
| Montpelier Fire District | | 180,000 | 0.031 |
| Montpelier Roxbury School District | | 7,269,485 | 1.250 |
| Moretown Town | | 360,000 | 0.062 |
| Morrisville Village | | 1,440,000 | 0.248 |
| Morrisville Village (R) | | 240,000 | 0.041 |
| Mount Ascutney School District | | 195,000 | 0.034 |
| Mount Mansfield Unified Union School District | | 4,011,469 | 0.690 |
| Mt Abraham Unified School District | | 1,006,680 | 0.173 |
| Mt. Anthony Union High School District #14 | | 645,000 | 0.111 |
| New Haven Town | | 230,000 | 0.040 |
| Newfane Town | | 137,500 | 0.024 |
| Newport City | | 100,000 | 0.017 |
| North Branch Fire District No. 1 | | 1,350,000 | 0.232 |
| North Country Union High School District No. 22 | | 1,645,000 | 0.283 |
| North Hero Town | | 850,000 | 0.146 |
| Northern Mountain Valley Unified Union School District | | 4,638,750 | 0.798 |
| Northfield Town | | 6,099,764 | 1.049 |
| Norwich Town | | 1,277,000 | 0.220 |
| NW Vermont Solid Waste Management District | | 300,000 | 0.052 |
| Orange Southwest School District | | 40,000 | 0.007 |

APPENDIX B
TABLE 2

| | | | |
|--|----|------------|--------|
| Orleans Southwest Union Elementary School District | \$ | 390,150 | 0.067% |
| Orleans Village | | 685,139 | 0.118 |
| Otter Valley Unified Union School District | | 2,784,000 | 0.479 |
| Oxbow Unified Union School District | | 842,000 | 0.145 |
| Paine Mountain School District | | 1,400,000 | 0.241 |
| Patricia A. Hannaford Career Center | | 8,520,000 | 1.465 |
| Peacham Fire District #1 | | 178,576 | 0.031 |
| Pittsfield Town | | 285,000 | 0.049 |
| Pittsford Town | | 406,046 | 0.070 |
| Plainfield Town | | 289,798 | 0.050 |
| Poultney Village | | 955,000 | 0.164 |
| Pownal Town | | 1,862,292 | 0.320 |
| Putney Town | | 2,699,046 | 0.464 |
| Quarry Valley Unified Union School Districts | | 1,050,000 | 0.181 |
| Randolph Town | | 5,470,000 | 0.941 |
| Readsboro Town | | 190,104 | 0.033 |
| Richford Town | | 719,917 | 0.124 |
| Richmond Town | | 935,000 | 0.161 |
| Rivendell Interstate School District | | 1,645,000 | 0.283 |
| Rochester Town | | 531,874 | 0.091 |
| Rochester-Stockbridge Unified School District | | 65,000 | 0.011 |
| Rockingham Town | | 2,185,250 | 0.376 |
| Rockingham Town School District | | 6,544,864 | 1.126 |
| Royalton FD#1 USDA Refunding | | 232,983 | 0.040 |
| Royalton Town | | 25,000 | 0.004 |
| Rutland City | | 12,252,769 | 2.107 |
| Rutland Town | | 1,080,000 | 0.186 |
| Rutland Town School District | | 541,500 | 0.093 |
| Salisbury Town | | 736,667 | 0.127 |
| Shaftsbury Town | | 900,000 | 0.155 |
| Sharon Town | | 990,000 | 0.170 |
| Shelburne Town | | 7,225,000 | 1.243 |
| Shoreham Town | | 170,035 | 0.029 |
| Shrewsbury Town | | 120,000 | 0.021 |
| Slate Valley Unified Union School District | | 365,000 | 0.063 |
| South Burlington City | | 28,216,666 | 4.853 |
| South Burlington City School District | | 5,737,925 | 0.987 |
| South Hero Fire District #4 | | 30,000 | 0.005 |
| South Hero Town | | 780,000 | 0.134 |
| Southwest Vermont Union Elementary School District | | 3,271,400 | 0.563 |
| Springfield Town | | 2,590,000 | 0.445 |
| Springfield Town School District | | 10,240,000 | 1.761 |
| St. Albans City | | 30,250,889 | 5.202 |
| St. Albans Town | | 120,000 | 0.021 |
| St. Johnsbury Town | | 1,180,000 | 0.203 |
| St. Johnsbury Town School District | | 2,850,000 | 0.490 |

APPENDIX B
TABLE 2

| | | |
|--|-----------------------|-----------------|
| Stockbridge Town | \$ 20,000 | 0.003% |
| Stowe Town | 19,364,980 | 3.330 |
| Strafford Town | 322,222 | 0.055 |
| Sunderland Town | 210,600 | 0.036 |
| Swanton Village | 3,932,568 | 0.676 |
| Swanton Village (R) | 880,000 | 0.151 |
| Taconic & Green Regional School District | 900,000 | 0.155 |
| Thetford Town | 4,030,000 | 0.693 |
| Thetford Town School District | 386,500 | 0.066 |
| Tinmouth Town | 339,500 | 0.058 |
| Townshend Town | 300,000 | 0.052 |
| Tri Town Water District #1 | 850,000 | 0.146 |
| Twin Valley Unified Union School District | 3,736,337 | 0.643 |
| Vergennes City | 585,000 | 0.101 |
| Waitsfield Town | 596,500 | 0.103 |
| Wallingford Fire District #1 | 587,047 | 0.101 |
| Warren Town | 360,839 | 0.062 |
| Waterbury Town | 3,755,000 | 0.646 |
| Weathersfield Town School District | 1,700,000 | 0.292 |
| West River Modified Union Education District | 1,180,000 | 0.203 |
| West Rutland Town | 2,980,988 | 0.513 |
| White River Valley Unified School District | 1,400,000 | 0.241 |
| Williamstown Town | 1,769,467 | 0.304 |
| Williston Town | 7,359,115 | 1.266 |
| Wilmington Town | 5,500,000 | 0.946 |
| Wilmington Water District | 600,621 | 0.103 |
| Windham Northeast Union Elementary School District | 380,000 | 0.065 |
| Windham Southeast School District | 3,962,000 | 0.681 |
| Windsor Central Modified Union School District | 333,333 | 0.057 |
| Windsor County | 400,000 | 0.069 |
| Windsor Town | 7,163,665 | 1.232 |
| Winooski City | 7,382,009 | 1.270 |
| Woodstock Town | 4,850,000 | 0.834 |
| Worcester Town | 223,667 | 0.038 |
| <u>TOTAL</u> | \$ 581,476,358 | 100.000% |

* Preliminary, subject to change.

(R) = Revenue Bond

APPENDIX C



One Financial Center
Boston, MA 02111
617 542 6000
mintz.com

[Applicable Closing Date]

Vermont Municipal Bond Bank
Burlington, Vermont

Re: Vermont Municipal Bond Bank [2022 Series 2 Bonds (Local Investment Bonds)][2022 Series 3 Refunding Bonds](the “Bonds”)

We have acted as bond counsel to the Vermont Municipal Bond Bank (d/b/a the Vermont Bond Bank) (the “Bond Bank”) in connection with the issuance by the Bond Bank of the above-captioned bonds (the “Bonds”) pursuant to the provisions of the Vermont Municipal Bond Bank Law, Public Act No. 216 of the Laws of Vermont enacted by the General Assembly of the State of Vermont at the 1969 Adjourned Session, as amended (the “Act”), the General Bond Resolution adopted by the Bond Bank on May 3, 1988, as amended (the “General Resolution”), and the Series Resolution adopted by the Bond Bank on June 27, 2022 authorizing the issuance of the Bonds (the “Series Resolution,” and together with the General Resolution, the “Resolutions”). Terms not otherwise defined herein shall have the same meanings as set forth in the Resolutions.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. [In addition, we have examined and relied upon the opinions of bond counsel to the governmental units (as defined in the Act) (the “Governmental Units”), dated the date hereof, relative to the validity and enforceability of the bonds issued by such Governmental Units (said bonds and other bonds heretofore acquired, the “Municipal Bonds”) which secure the loans financed by the Bond Bank from a portion of the proceeds of the Bonds (the “Loans”), and to the validity and enforceability of the respective loan agreements entered into by such Governmental Units (the “Loan Agreements”).]

The Bonds are being issued by means of a book-entry-only system, with bond certificates immobilized at The Depository Trust Company, New York, New York (“DTC”), and not available for distribution to the public, evidencing ownership of the Bonds in denominations of \$1,000 or integral multiples thereof, with transfers of beneficial ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants.

The Bonds are payable on December 1 in the years and principal amounts, bear interest at the rates and are subject to redemption prior to maturity, all as provided in the Series Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Bond Bank contained in the Resolutions and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bond Bank is duly created and validly existing as a body politic and corporate constituted as an instrumentality of the State of Vermont (the "State"), under and pursuant to the laws of the State with the power to adopt the Resolutions, perform the agreements on its part contained therein and issue the Bonds.
2. The Resolutions have been duly adopted by the Bond Bank and constitute valid and binding obligations of the Bond Bank enforceable upon the Bond Bank.
3. Pursuant to the Act and subject to the exceptions and terms of the Resolutions, the Resolutions create a valid lien on the Municipal Bonds, the Municipal Bond Payments and moneys and securities held or set aside thereunder (except for the Rebate Fund) for the security of the Bonds on a parity with other bonds issued or to be issued under the General Resolution.
4. The Bonds have been duly authorized, executed and delivered by the Bond Bank and are valid and binding direct and general obligations of the Bond Bank, and the full faith and credit of the Bond Bank are pledged to the payment of the principal of and interest on the Bonds.
5. In the General Resolution, the Bond Bank has validly covenanted and will be legally obligated to enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of the Municipal Bonds securing the Loans made by the Bond Bank, including the prompt collection of payments of principal and interest on such Municipal Bonds and Fees and Charges, and to make and deliver to the Governor or Governor-elect of the State, in compliance with the provisions of the Act, a certificate stating the amount, if any, required to restore the Reserve Fund to the Required Debt Service Reserve. Further, the General Assembly of the State is legally authorized, although not legally obligated, to appropriate annually such sum as shall have been certified by the Chair of the Bond Bank to the Governor or Governor-elect of the State as is necessary to restore the Reserve Fund to an amount equal to the Required Debt Service Reserve, and upon the making of such appropriations in accordance with the Act there shall be paid to the Bond Bank for deposit in the Reserve Fund the amounts appropriated.
6. Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to compliance with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. Interest on the Bonds will not constitute a preference item for

purposes of computation of the alternative minimum tax. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

7. Interest on the Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes.
8. Except as set forth in paragraph (6), we express no opinion as to federal tax consequences of holding the Bonds, and except as set forth in paragraph (7), we express no opinion as to any state or local tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

[THIS PAGE INTENTIONALLY LEFT BLANK]

VERMONT MUNICIPAL BOND BANK
FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020
AND
INDEPENDENT AUDITOR'S REPORTS

VERMONT MUNICIPAL BOND BANK
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|---|----------------|
| Independent Auditor's Report..... | 1 - 3 |
| Management's Discussion and Analysis..... | 4 - 7 |
| Basic Financial Statements: | |
| Statement of Net Position..... | 8 -9 |
| Statement of Revenues, Expenses and Change in Net Position | 10 |
| Statement of Cash Flows..... | 11 - 12 |
| Notes to Financial Statements | 13 - 34 |
| Compliance Report: | |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 35 - 36 |

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Vermont Municipal Bond Bank

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Municipal Bond Bank (the Vermont Bond Bank), a component unit of the State of Vermont, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Bond Bank's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Vermont Municipal Bond Bank as of December 31, 2021, and the respective changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Vermont Bond Bank, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Vermont Bond Bank's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as

fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Vermont Bond Bank's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Vermont Bond Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Vermont Bond Bank's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund in our report dated May 28, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2022 on our consideration of the Vermont Bond Bank's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bond Bank's internal control over financial reporting and compliance.

Montpelier, Vermont
May 26, 2022

Melgett Jenett 4
Shosh Nian, P.C.

**VERMONT MUNICIPAL BOND BANK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

The Vermont Municipal Bond Bank (d/b/a Vermont Bond Bank) was created by the Vermont General Assembly in 1970 as a body corporate and politic with corporate succession and is constituted as an instrumentality exercising public and essential governmental functions of the State of Vermont. The Vermont Bond Bank's primary purpose is to provide Vermont's municipalities with inexpensive access to capital markets. As of December 31, 2021, the Vermont Bond Bank (Bond Bank) has issued nearly \$2.6 billion in tax-exempt and taxable bonds through 96 series of bonds for municipalities, including 30 refunding bonds, and two conduit debt series for the Vermont State College System.

This discussion of the Bond Bank's financial performance provides an overview of the Bond Bank's financial activities for the fiscal year ended December 31, 2021. The statements are divided into two funds. The Bond Fund reports the financial activities of the pool of funds loaned to municipalities. The Bond Fund assets and liabilities are held by one corporate trustee, U.S. Bank, N.A. The Operating Fund is made up of activities relating to the administrative operations of the Bond Bank.

2021 Financial Highlights

In 2021, the Bond Bank issued \$61,660,000 through two series of Local Investment Bonds and two series of refunding bonds. The 2021 Series 1 Bonds were issued in the amount of \$30,295,000 and provided loans to 11 municipalities with 16 projects. The 2021 Series 2 bonds that were issued in the amount of \$2,795,000 refunded the 2010 Series 4 bonds and resulted in \$172,000, or 6.39% of refunded par, of present value savings.

The 2021 Series 3 Bonds were issued in the amount of \$17,615,000 to provide loans to 10 municipalities with 13 projects. The 2021 Series 4 Bonds that were issued in the amount of \$10,955,000 refunded the 2011 Series 4 and 2011 Series 6 bonds and resulted in \$572,000, or 4.71% of refunded par, of present value savings.

In 2020, the Bond Bank issued \$38,255,000 through two series of Local Investment Bonds. The 2020 Series 1 Bonds were issued in the amount of \$22,365,000 and provided loans to 9 municipalities with 10 projects. The 2020 Series 2 Bonds were issued in the amount of \$15,890,000 to provide loans to 10 municipalities with 12 projects.

As of December 31, 2021, the Bond Bank had 493 loans outstanding to 193 governmental units totaling \$551,089,308. As of December 31, 2020, the Bond Bank had 488 loans outstanding to 197 governmental units totaling \$549,693,481.

| Outstanding Loans by Debt Type as of 12/31/21 | Summary | | | |
|--|---------|---------|---------------|---------|
| | # Loans | % Total | Amount | % Total |
| General Obligation Bonds | 488 | 99% | \$539,801,938 | 98% |
| Revenue Bonds | 5 | 1% | 11,287,370 | 2% |
| Total | 493 | 100% | \$551,089,308 | 100% |

| Outstanding Loans by Borrower Type as of 12/31/21 | Summary | | | |
|---|---------|---------|---------------|---------|
| | # Loans | % Total | Amount | % Total |
| Local Government | 317 | 64% | \$349,252,370 | 63% |
| School District | 143 | 29% | 183,784,476 | 33% |
| Other Governmental Unit | 33 | 7% | 18,052,462 | 4% |
| Total | 493 | 100% | \$551,089,308 | 100% |

Assets and Deferred Outflows of Resources

Combined total Assets and Deferred Outflows of Resources in the Bond Fund decreased by \$1,350,241, or 0.21%, from 2020 to 2021 and was driven by a decrease in deferred outflow on refunding of bonds payable that resulted from the current refunding of three previously refunded bonds.

Total assets within the Operating Fund decreased by \$714,964, or 2.60%, from the prior year. Assets grew over the year as the Bond Bank entered into a new office space lease and fit-up the space with new office furniture and equipment that were recorded as capital assets within the Operating Fund. These will be depreciated over the lives of the assets. The increase in assets was not enough to compensate for changes in the market, which resulted in a decline in value of the investment portfolio, which is invested in highly rated fixed income securities.

Liabilities and Deferred Inflows of Resources

Changes in Total Liabilities and Deferred Inflows of Resources were nearly all recorded in the Bond Fund. The total increased by \$1,972,409 or 0.32%, from 2020 to 2021. This was due to bond issuance activity. The Bond Bank entered into a sub-lease agreement with Evernorth for a portion of the new leased office space. This sub-lease has been recorded within deferred inflows of resources because the subtenant prepaid rent alongside the Bond Bank. The unearned revenue on sublease will be recognized as revenue over the lease term.

Net Position

Restricted Net Position in the Bond Fund decreased from 2020 to 2021 by \$3,233,927 or 19.32%.

Unrestricted Net Position in the Operating Fund decreased by \$963,531 or 3.51% over the same period.

These changes in net position were due to declines in the fair value of investments. After accounting for market changes, total revenue, which includes net nonoperating revenue, was less than total expenses by \$3,307,161 in the Bond Fund. Losses due to market changes extended to the Operating Fund when taking into consideration both operating and nonoperating revenue. The Operating Fund had a net loss of \$730,454.

Total Net Position as of December 31, 2021, equaled 6.42% of Total Bonds Payable and Unrestricted Net Position equaled 4.24% of Total Bonds Payable. Total Net Position as of December 31, 2020, equaled 7.67% of Total Bonds Payable and Unrestricted Net Position equaled 4.76% of Total Bonds Payable.

Major Statement of Net Position items changed as follows from 2020 to 2021:

| | Bond Fund | | | | Operating Fund | | | | Total | | | |
|--|-------------|-------------|-------------|---------|----------------|------------|-----------|---------|-------------|-------------|-------------|---------|
| | 2020 | 2021 | Change | | 2020 | 2021 | Change | | 2020 | 2021 | Change | |
| | | | # | % | | | # | % | | | # | % |
| Total Assets and Deferred Outflow of Resources | 641,740,568 | 640,390,327 | (1,350,241) | -0.21% | 27,454,971 | 26,740,006 | (714,965) | -2.60% | 669,195,539 | 667,130,333 | (2,065,206) | -0.31% |
| Total Liabilities and Deferred Inflow of Resources | 624,997,749 | 626,881,435 | 1,883,686 | 0.30% | 25,030 | 113,753 | 88,723 | 354.47% | 625,022,779 | 626,995,188 | 1,972,409 | 0.32% |
| Net Position | | | | | | | | | | | | |
| Investment in Capital Assets | - | - | - | - | 0 | 159,843 | 159,843 | 0.00% | 0 | 159,843 | 159,843 | 0.00% |
| Net Position Unrestricted | - | - | - | - | 27,429,941 | 26,466,410 | (963,531) | -3.51% | 27,429,941 | 26,466,410 | (963,531) | -3.51% |
| Net Position Restricted | 16,742,819 | 13,508,892 | (3,233,927) | -19.32% | - | - | - | - | 16,742,819 | 13,508,892 | (3,233,927) | -19.32% |
| Total Net Position | 16,742,819 | 13,508,892 | (3,233,927) | -19.32% | 27,429,941 | 26,626,253 | (803,688) | -2.93% | 44,172,760 | 40,135,145 | (4,037,615) | -9.14% |

Operating Summary

Revenues in both the Bond Fund and Operating Fund decreased by approximately 10.88% and 94.85%, respectively. Changes were driven by decreases in in the fair value of investments and lower reinvestment rates, which reduced interest and investment revenue. In the Operating Fund, interest and investment revenue decreased from \$612,595 in 2020 to \$552,999 in 2021.

In the Operating Fund, expenses increased \$224,977 due to a Memorandum of Agreement with the Vermont Educational and Health Building Finance Agency (the Agency) that became effective in January 2021. This organization is disclosed as a related party in the financial statements. Shared expenses are recorded fully in the Bond Bank and the increased expenses are offset dollar for dollar by increased revenue from the Agency. Previously, the shared expenses were allocated between the organizations.

Net transfers out of the operating fund were \$73,234 which includes two equity contributions and an arbitrage rebate payment. These transfers were partially offset by unrestricted interest earnings in the Bond Fund that were transferred to the Operating Fund.

Major Revenue and Expense item changes from 2020 to 2021 are as follows:

| | Bond Fund | | | | Operating Fund | | | | Total | | | |
|---|------------|-------------|-------------|---------|----------------|-----------|-------------|---------|------------|-------------|-------------|---------|
| | 2020 | 2021 | Change | | 2020 | 2021 | Change | | 2020 | 2021 | Change | |
| | | | # | % | | | # | % | | | # | % |
| Revenues | 25,365,479 | 22,606,113 | (2,759,366) | -10.88% | 1,851,090 | 95,288 | (1,755,802) | -94.85% | 27,216,569 | 22,701,401 | (4,515,168) | -16.59% |
| Expenses | 24,349,041 | 25,913,274 | 1,564,233 | 6.42% | 600,765 | 825,742 | 224,977 | 37.45% | 24,949,806 | 26,739,016 | 1,789,210 | 7.17% |
| Net Income (Loss) Prior to Transfers | 1,016,438 | (3,307,161) | - | - | 1,250,325 | (730,454) | - | - | 2,266,763 | (4,037,615) | - | - |
| Net Transfers In / Out | 839,936 | 73,234 | (766,702) | -91.28% | (839,936) | (73,234) | (766,702) | -91.28% | 0 | 0 | 0 | - |
| Change in Net Position | 1,856,374 | (3,233,927) | - | - | 410,389 | (803,688) | - | - | 2,266,763 | (4,037,615) | - | - |

Investment Portfolio

The Bond Bank's unrestricted investment portfolio consists of highly rated corporate and US Government bonds. As a result, the change in market conditions over the course of the year impacted the value of the portfolio. From January 4, 2021, to December 31, 2021, the 10-year U.S. Treasury Note rate increased from 0.93% to 1.52%. The value of the portfolio decreased \$804,108.

The investment portfolio performed well relative to the benchmark in a declining market. The portfolio showed a negative return of 0.92% versus a negative return of 1.29% for the benchmark. On December 31, 2021, the fair value of the investment portfolio was \$24,094,895, excluding cash and cash equivalent investments of \$1,653,998. On December 31, 2020 the fair value of the portfolio was \$24,937,482, excluding cash and cash equivalent investments of \$1,627,254.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization. The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the local government landscape in general. The Bond Bank is closely monitoring the COVID-19 pandemic and its impact on the investment earnings of the Bond Bank and financial health of its loan portfolio.

Subsequent Events

In February 2022, the Bond Bank issued the 2022 Series 1 Bonds in the amount of \$8,037,000 through a direct purchase of the bonds by Northfield Savings Bank. The bonds were authorized under the 1988 General Resolution.

Contact for Further Information

This financial report is designed to provide the reader with a general overview of the Vermont Municipal Bond Bank's finances. Questions about this report or requests for additional financial information should be directed to Michael Gaughan, Executive Director, Vermont Municipal Bond Bank, 100 Bank Street, Suite 401, Burlington, VT 05401, at 802-654-7377 or michael@vtbondagency.org.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF NET POSITION
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020
(Page 1 of 2)

| | <u>2021</u> | | | <u>2020</u> |
|--|-----------------------|-----------------------|-----------------------|-------------------------|
| | <u>Bond Fund</u> | <u>Operating Fund</u> | <u>Total</u> | <u>Summarized Total</u> |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | |
| ASSETS: | | | | |
| Current assets - | | | | |
| Cash and cash equivalents | \$ 5,153,740 | \$ 2,348,245 | \$ 7,501,985 | \$ 6,063,088 |
| Accrued interest receivable | 1,699,244 | - | 1,699,244 | 1,673,650 |
| Accounts receivable | 8,550 | 132,023 | 140,573 | 264,138 |
| Current portion of loans to municipalities | 49,722,188 | - | 49,722,188 | 48,468,735 |
| Investments | - | 24,094,895 | 24,094,895 | 24,937,482 |
| Prepaid expenses | - | 5,000 | 5,000 | - |
| Total current assets | <u>56,583,722</u> | <u>26,580,163</u> | <u>83,163,885</u> | <u>81,407,093</u> |
| Noncurrent assets - | | | | |
| Restricted cash | 2,293,497 | - | 2,293,497 | 1,617,047 |
| Restricted investments | 65,036,720 | - | 65,036,720 | 65,056,512 |
| Loans to municipalities | 501,367,120 | - | 501,367,120 | 501,224,746 |
| Capital assets, net | - | 159,843 | 159,843 | - |
| Total noncurrent assets | <u>568,697,337</u> | <u>159,843</u> | <u>568,857,180</u> | <u>567,898,305</u> |
| Total assets | <u>625,281,059</u> | <u>26,740,006</u> | <u>652,021,065</u> | <u>649,305,398</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred outflow on refunding of bonds payable | <u>15,109,268</u> | <u>-</u> | <u>15,109,268</u> | <u>19,890,141</u> |
| Total assets and deferred outflows of resources | <u>\$ 640,390,327</u> | <u>\$ 26,740,006</u> | <u>\$ 667,130,333</u> | <u>\$ 669,195,539</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | | |
| LIABILITIES: | | | | |
| Current liabilities - | | | | |
| Accounts payable | \$ - | \$ 89,231 | \$ 89,231 | \$ 25,030 |
| Accrued arbitrage rebate | 6,228 | - | 6,228 | 91,969 |
| Bond interest payable | 2,133,871 | - | 2,133,871 | 2,156,739 |
| Current portion of bonds payable | <u>45,385,000</u> | <u>-</u> | <u>45,385,000</u> | <u>44,440,000</u> |
| Total current liabilities | <u>47,525,099</u> | <u>89,231</u> | <u>47,614,330</u> | <u>46,713,738</u> |
| Noncurrent liabilities - | | | | |
| Accrued arbitrage rebate | 25,771 | - | 25,771 | 153,256 |
| Bonds payable | <u>579,330,565</u> | <u>-</u> | <u>579,330,565</u> | <u>578,155,785</u> |
| Total noncurrent liabilities | <u>579,356,336</u> | <u>-</u> | <u>579,356,336</u> | <u>578,309,041</u> |
| Total liabilities | <u>626,881,435</u> | <u>89,231</u> | <u>626,970,666</u> | <u>625,022,779</u> |

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF NET POSITION
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020
(Page 2 of 2)

| | <u>2021</u> | | | <u>2020</u> |
|--|------------------------------|---------------------------------|------------------------------|-----------------------------------|
| | <u>Bond</u> <u>Fund</u> | <u>Operating</u> <u>Fund</u> | <u>Total</u> | <u>Summarized</u> <u>Total</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unearned revenue on sublease | <u>-</u> | <u>24,522</u> | <u>24,522</u> | <u>-</u> |
| NET POSITION: | | | | |
| Net investment in capital assets | - | 159,843 | 159,843 | - |
| Restricted | 13,508,892 | - | 13,508,892 | 16,742,819 |
| Unrestricted | <u>-</u> | <u>26,466,410</u> | <u>26,466,410</u> | <u>27,429,941</u> |
| Total net position | <u>13,508,892</u> | <u>26,626,253</u> | <u>40,135,145</u> | <u>44,172,760</u> |
| Total liabilities, deferred inflows of resources and net position | \$ <u><u>640,390,327</u></u> | \$ <u><u>26,740,006</u></u> | \$ <u><u>667,130,333</u></u> | \$ <u><u>669,195,539</u></u> |

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>2021</u> | | | <u>2020</u> |
|---|----------------------|---------------------------|----------------------|-----------------------------|
| | <u>Bond Fund</u> | <u>Operating Fund</u> | <u>Total</u> | <u>Summarized Total</u> |
| OPERATING REVENUES: | | | | |
| Interest | \$ 20,134,021 | \$ - | \$ 20,134,021 | \$ 20,156,287 |
| Other income | <u>-</u> | <u>346,397</u> | <u>346,397</u> | <u>216,848</u> |
| Total operating revenue | <u>20,134,021</u> | <u>346,397</u> | <u>20,480,418</u> | <u>20,373,135</u> |
| OPERATING EXPENSES: | | | | |
| Bond issue costs | 614,065 | - | 614,065 | 459,736 |
| Other expense | 1,912,247 | - | 1,912,247 | 1,263,654 |
| Operating expenses | <u>-</u> | <u>825,742</u> | <u>825,742</u> | <u>600,765</u> |
| Total operating expenses | <u>2,526,312</u> | <u>825,742</u> | <u>3,352,054</u> | <u>2,324,155</u> |
| OPERATING INCOME (LOSS) | <u>17,607,709</u> | <u>(479,345)</u> | <u>17,128,364</u> | <u>18,048,980</u> |
| NONOPERATING REVENUE (EXPENSES): | | | | |
| Net appreciation/(depreciation) in fair value of investments | (872,810) | (804,108) | (1,676,918) | 2,568,101 |
| Interest and investment revenue | 1,697,360 | 552,999 | 2,250,359 | 2,785,743 |
| Interest rebate | 1,456,730 | - | 1,456,730 | 1,489,590 |
| Interest expense | (23,386,962) | - | (23,386,962) | (22,332,673) |
| Arbitrage recovery (rebate) | <u>190,812</u> | <u>-</u> | <u>190,812</u> | <u>(292,978)</u> |
| Total nonoperating revenue (expenses) | <u>(20,914,870)</u> | <u>(251,109)</u> | <u>(21,165,979)</u> | <u>(15,782,217)</u> |
| NET INCOME (LOSS) BEFORE TRANSFERS | (3,307,161) | (730,454) | (4,037,615) | 2,266,763 |
| NET TRANSFER TO BOND FUND | <u>73,234</u> | <u>(73,234)</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | (3,233,927) | (803,688) | (4,037,615) | 2,266,763 |
| NET POSITION, beginning of year | <u>16,742,819</u> | <u>27,429,941</u> | <u>44,172,760</u> | <u>41,905,997</u> |
| NET POSITION, end of year | \$ <u>13,508,892</u> | \$ <u>26,626,253</u> | \$ <u>40,135,145</u> | \$ <u>44,172,760</u> |

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020
(Page 1 of 2)

| | <u>Bond</u> | <u>2021</u> <u>Operating</u> | <u>Total</u> | <u>2020</u> <u>Summarized</u> <u>Total</u> |
|--|---------------------|---------------------------------|---------------------|--|
| | <u>Fund</u> | <u>Fund</u> | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Cash received from municipalities - | | | | |
| Principal | \$ 48,591,443 | \$ - | \$ 48,591,443 | \$ 48,549,681 |
| Interest (net of refunding interest savings) | 18,190,315 | - | 18,190,315 | 18,988,557 |
| Cash paid to suppliers for goods and services | - | (412,320) | (412,320) | (393,247) |
| Cash paid to employees for services | - | (337,999) | (337,999) | (214,682) |
| Loans to municipalities | (49,987,270) | - | (49,987,270) | (40,689,194) |
| Bond issue costs | (614,065) | - | (614,065) | (464,686) |
| Other receipts | - | 338,126 | 338,126 | 170,002 |
| Net cash provided (used) by operating activities | <u>16,180,423</u> | <u>(412,193)</u> | <u>15,768,230</u> | <u>25,946,431</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Proceeds from bonds issued | 66,440,873 | - | 66,440,873 | 41,498,014 |
| Principal reductions | (58,035,000) | - | (58,035,000) | (44,965,000) |
| Interest expense | (24,915,050) | - | (24,915,050) | (24,724,086) |
| Arbitrage recovery (rebate) | (22,414) | - | (22,414) | (181,889) |
| Interest rebate | 1,613,088 | - | 1,613,088 | 1,324,682 |
| Transfers | 73,234 | (73,234) | - | - |
| Net cash provided (used) by noncapital financing activities | <u>(14,845,269)</u> | <u>(73,234)</u> | <u>(14,918,503)</u> | <u>(27,048,279)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Acquisition of capital assets | - | (176,065) | (176,065) | - |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>(176,065)</u> | <u>(176,065)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Proceeds from sales of investments | 7,912,471 | 3,578,703 | 11,491,174 | 4,567,487 |
| Purchase of investments | (8,569,130) | (2,736,116) | (11,305,246) | (8,690,999) |
| Earnings (loss) on investments | (872,810) | (804,108) | (1,676,918) | 2,568,101 |
| Investment income | 1,703,226 | 552,999 | 2,256,225 | 2,785,294 |
| Net cash provided (used) by investing activities | <u>173,757</u> | <u>591,478</u> | <u>765,235</u> | <u>1,229,883</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,508,911 | (70,014) | 1,438,897 | 128,035 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>3,644,829</u> | <u>2,418,259</u> | <u>6,063,088</u> | <u>5,935,053</u> |
| CASH AND CASH EQUIVALENTS, end of year | \$ <u>5,153,740</u> | \$ <u>2,348,245</u> | \$ <u>7,501,985</u> | \$ <u>6,063,088</u> |

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020
(Page 2 of 2)

| | <u>2021</u> | | | <u>2020</u> |
|--|----------------------|---------------------|----------------------|----------------------|
| | <u>Bond</u> | <u>Operating</u> | <u>Total</u> | <u>Summarized</u> |
| | <u>Fund</u> | <u>Fund</u> | | <u>Total</u> |
| RECONCILIATION OF OPERATING INCOME | | | | |
| (LOSS) TO NET CASH PROVIDED (USED) | | | | |
| BY OPERATING ACTIVITIES: | | | | |
| Operating income (loss) | \$ 17,607,709 | \$ (479,345) | \$ 17,128,364 | \$ 18,048,980 |
| Adjustments to reconcile operating income | | | | |
| (loss) to net cash provided (used) by | | | | |
| operating activities - | | | | |
| Depreciation expense | - | 16,222 | 16,222 | - |
| (Increase)/decrease in following assets, | | | | |
| deferred outflows, liabilities and deferred inflows: | | | | |
| Accrued municipal interest receivable | (31,459) | - | (31,459) | 95,924 |
| Accounts receivable | - | (32,793) | (32,793) | (46,846) |
| Prepaid expenses | - | (5,000) | (5,000) | - |
| Loans to municipalities | (1,395,827) | - | (1,395,827) | 7,860,487 |
| Accounts payable | - | 64,201 | 64,201 | - |
| Deferred inflows | - | 24,522 | 24,522 | (12,114) |
| Net cash provided (used) by | | | | |
| operating activities | \$ <u>16,180,423</u> | \$ <u>(412,193)</u> | \$ <u>15,768,230</u> | \$ <u>25,946,431</u> |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Refunding loss amortization: | \$ <u>4,780,873</u> | \$ <u>-</u> | \$ <u>4,780,873</u> | \$ <u>3,243,014</u> |

The notes to financial statements are an integral part of this statement.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds:

- A. Authorizing legislation - The Vermont Municipal Bond Bank (d/b/a Vermont Bond Bank) was established by the General Assembly of the State of Vermont in 1970 for the purpose of fostering and promoting the provision of adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for financing public improvements or other purposes. The Vermont Bond Bank (Bond Bank) is authorized to carry out this function by borrowing money, issuing bonds and notes and purchasing bonds and notes of local governmental units. The Bond Bank is a component unit of the State of Vermont.

The Bond Bank is administered by a Board of Directors, with a mandate to provide municipalities with access to municipal bond proceeds at the lowest possible interest rates.

The Board is comprised of five directors consisting of the Treasurer of the State of Vermont (Ex-officio) and four directors appointed by the Governor of the State of Vermont, with the advice and consent of the Senate, to serve terms of two years each, two terms expiring on February 1 in alternate years, or until a successor is appointed. The Directors elect a Chair, Secretary and a Treasurer.

Eligible municipalities are defined as any city, town, village, school district, fire district, consolidated sewer or water district, or a solid waste district organized under the laws of the State, and also includes every municipal corporation identified in subdivision 1751(1) of V.S.A., Title 24.

As of December 31, 2021, the following resolutions had been adopted by the Bond Bank and remain active:

| <u>Date</u> | <u>Resolution</u> |
|-------------------|--|
| February 17, 1972 | General Bond Resolution “Creating and establishing an issue of bonds of the Vermont Municipal Bond Bank; providing for the issuance from time to time of said bonds; providing for the payment of principal and interest of said bonds, and providing for the rights of the holders thereof.” |
| May 3, 1988 | General Bond Resolution “Creating and Establishing an issue of bonds for the Vermont Municipal Bond Bank; providing for the issuance from time to time of said bonds; providing for the payment of the principal and interest of said bonds; and providing for the rights of the holders thereof.” |
| June 16, 2008 | 2008 Series 2 Resolution authorizing the issuance of \$5,635,000 2008 Series 2 Bonds. |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

| | |
|------------------|--|
| June 10, 2010 | 2010 Series 1 Resolution authorizing the issuance of the \$23,430,000 2010 Series 1 Bonds, 2010 Series 2 Resolution authorizing the issuance of \$9,770,000 Federal Taxable Recovery Zone Economic Development Bonds (RZEDBs) 2010 Series 2 Bonds, 2010 Series 3 Resolution authorizing the issuance of \$1,365,000 Federally Taxable Qualified School Construction Bonds 2010 Series 3 Bonds and 2010 Series 4 Resolution authorizing the issuance of \$39,305,000 Series 4 Refunding Bonds and the refunding of 2000 Series 1 Bonds and 2001 Series 1 Bonds. 2010 Series 1 was partially refunded and defeased by 2016 Series 2. |
| October 12, 2010 | 2010 Series 5 Resolution authorizing the issuance of \$24,520,000 Federally Taxable RZEDBS 2010 Series 5 Bonds. |
| January 25, 2011 | 2011 Series 1 Resolution authorizing the issuance of \$9,500,000 Federally Taxable Qualified School Construction Bonds 2011 Series 1 Bonds. |
| June 15, 2011 | 2011 Series 2 Resolution authorizing the issuance of \$25,665,000 2011 Series 2 Bonds, 2011 Series 3 Resolution authorizing the issuance of \$2,940,000 Federally Taxable Qualified School Construction Bonds 2011 Series 3 Bonds and 2011 Series 4 Resolution authorizing the issuance of \$14,370,000 Series 4 Refunding Bonds and the refunding of 2002 Series 1 Bonds. 2011 Series 2 was partially refunded and defeased by 2016 Series 2. |
| November 7, 2011 | 2011 Series 5 Resolution authorizing the issuance of \$43,695,000 2011 Series 5 Bonds and 2011 Series 6 Resolution authorizing the issuance of \$25,895,000 Series 6 Refunding Bonds and the refunding of 2003 Series 2 Bonds. 2011 Series 5 was partially refunded and defeased by 2016 Series 2. |
| June 13, 2012 | 2012 Series 1 Resolution authorizing the issuance of \$36,125,000 2012 Series 1 Bonds, 2012 Series 2 Resolution authorizing the issuance of \$8,855,000 Qualified School Construction Bonds 2012 Series 2 Bonds and 2012 Series 3 Resolution authorizing the issuance of \$26,590,000 Series 3 Refunding Bonds and the refunding of 2004 Series 1 Bonds. |
| October 24, 2012 | 2012 Series 4 Resolution authorizing the issuance of \$8,790,000 2012 Series 4 Bonds and 2012 Series 5 Resolution authorizing the issuance of \$6,485,000 Series 5 Refunding Bonds and the refunding of 2003 Series 1 Bonds. |
| June 19, 2013 | 2013 Series 1 Resolution authorizing the issuance of \$54,895,000 2013 Series 1 Bonds and 2014 Series 2 Resolution authorizing the issuance of \$18,285,000 Series 2 Refunding Bonds and the partial refunding of the 2005 Series 1 Bonds. |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

| | |
|-------------------|--|
| November 20, 2013 | 2014 Series 1 Resolution authorizing the issuance of the \$29,475,000 2014 Series 1 Bonds and the 2014 Series 2 Resolution authorizing the issuance of the \$18,285,000 2014 Series 2 Refunding Bonds and the refunding of the 2005 Series 1 Bonds. |
| June 10, 2014 | 2014 Series 3 Resolution authorizing the issuance of the \$51,025,000 2014 Series 3 Bonds and the 2014 Series 4 Resolution authorizing the issuance of \$21,035,000 Series 4 Refunding Bonds and the refunding of the 2006 Series 1 Bonds. |
| April 14, 2015 | 2015 Series 1 Resolution authorizing the issuance of the \$30,630,000 2015 Refunding Bonds and the refunding of the 2004 Series 2 Bonds and the partial refunding of the 2007 Series 1 Bonds. |
| June 22, 2015 | 2015 Series 2 Resolution authorizing the issuance of the \$7,975,000 2015 Series 2 Serial Bonds and the 2015 Series 3 Resolution authorizing the issuance of \$14,535,000 2015 Series 3 Refunding Bonds with the partial refunding of the 2005 Series 2 Bonds and the partial refunding of the 2005 Series 3 Bonds and the 2015 Series 5 Resolution authorizing the issuance of \$52,400,000 2015 Series 5 Refunding Bonds with the partial refunding of the 2008 Series 1 Bonds and the partial refunding of the 2009 Series 1 Bonds. |
| October 8, 2015 | 2015 Series 4 Resolution authorizing the issuance of the \$10,425,000 2015 Series 4 Taxable Bonds. |
| June 7, 2016 | 2016 Series 1 Resolution authorizing the issuance of the \$41,870,000 2016 Series 1 Bonds and 2016 Series 2 Resolution authorizing the issuance of the \$52,390,000 2016 Series 2 Refunding Bonds the partial refunding of the 2007 Series 2 Bonds, the 2010 Series 1 Bonds, the 2011 Series 2 Bonds and the 2011 Series 5 Bonds. |
| February 7, 2017 | 2017 Series 1 Resolution authorizing the issuance of the \$31,920,000 2017 Series 1 Bonds and 2017 Series 2 Resolution authorizing the issuance of the \$6,115,000 2017 Series 2 Green Bonds. |
| March 30, 2017 | 2017 General Vermont State Colleges System (VSCS) Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Bond Bank (VSCS Program Resolution) and 2017 Series A Resolution authorizing the issuance of the \$67,660,000 2017 VSCS Series A Bonds. |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

| | |
|-------------------|--|
| June 21, 2017 | 2017 Series 3 Resolution authorizing the issuance of the \$26,990,000 2017 Series 3 Bonds and 2017 Series 4 Resolution authorizing the issuance of \$27,380,000 Series 4 Refunding Bonds and the partial refunding of the 2013 Series 1 Bonds. |
| January 25, 2018 | 2018 Series 1 Resolution authorizing the issuance of the \$7,990,000 2018 Series 1 Local Investment Bonds. |
| June 11, 2018 | 2018 Series 2 Resolution authorizing the issuance of the \$33,175,000 2018 Series 2 Local Investment Bonds. |
| January 30, 2019 | 2019 Series 1 Resolution authorizing the issuance of the \$24,870,000 2019 Series 1 Local Investment Bonds. |
| June 11, 2019 | 2019 Series 2 Resolution authorizing the issuance of the \$31,500,000 2019 Series 2 Local Investment Bonds. |
| December 18, 2019 | VSCS 2020 Series A under the VSCS Program Resolution authorizing the issuance of the \$24,185,000 VSCS 2020 Series A Bonds which are special not general obligations of the Bond Bank. |
| January 30, 2020 | 2020 Series 1 Resolution authorizing the issuance of the \$22,365,000 2020 Series 1 Local Investment Bonds. |
| June 25, 2020 | 2020 Series 2 Resolution authorizing the issuance of the \$15,890,000 2020 Series 2 Local Investment Bonds. |
| January 28, 2021 | 2021 Series 1 Resolution authorizing the issuance of the \$30,295,000 2021 Series 1 Local Investment Bonds and the \$2,795,000 Federally Taxable 2021 Series 2 Refunding Bonds and the refunding of the 2010 Series 4 Bonds. |
| June 30, 2021 | 2021 Series 3 Resolution authorizing the issuance of the \$17,615,000 2021 Series 3 Local Investment Bonds and the \$10,955,000 2021 Series 4 Refunding Bonds and the refunding of the 2011 Series 4 Bonds and 2011 Series 6 Bonds. |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds (continued):

- B. Basis of presentation and nature of funds - The financial statement presentation follows the recommendations of the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Bond Bank is a special-purpose entity with only business-type activities. Under GASB Statement No. 34, such entities should present only the financial statements required for enterprise funds. The accompanying financial statements include two distinct funds, each of which is considered a separate accounting entity. The following funds are used by the Bond Bank.

Operating Fund - The Operating Fund is used to administer the operations of the Bond Bank and derives its revenues principally from investment income.

Bond Fund - The Bond Fund is used to administer the activities of the Bond Bank for the municipal loan program. The Fund issues bonds which are utilized to finance capital improvements or other purposes for local municipalities throughout the State of Vermont.

2. Summary of significant accounting policies:

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

- A. Advance refundings - All advance refundings completed are accounted for in accordance with the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The unamortized portion is reported as a deferred outflow of resources.
- B. Fund accounting - The financial statements of the Bond Bank have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) in conformity with the principles of fund accounting as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.
- C. Measurement focus and basis of accounting - The Bond Bank uses the economic resources measurement focus and the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when a liability for payment is incurred. Operating revenues include interest from loans to municipalities and accrued interest receivable from municipalities. Interest expense on related bonds payable is recorded as a nonoperating expense in accordance with GASB Statements No. 9 and 34.
- D. Cash equivalents - The Bond Bank considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of significant accounting policies (continued):

- E. Investments - The Directors appoint trustees to oversee the investments in the Bond Fund. As of December 31, 2021, the Trustee is the U.S. Bank National Association. The Directors engaged Loomis, Sayles & Company, L.P. to provide investment management services for the Operating Fund. Investments are reported at fair value. See Note 4.
- F. Capital assets and depreciation - The Bond Bank records capital assets in the Operating Fund. Capital assets are defined by the Bond Bank as assets with an initial, individual cost of \$1,000 and an estimated life in excess of one year. Such assets are recorded at historical cost. Capital assets are depreciated using the straight-line method over the useful lives shown below:
- | | |
|-------------------------|---------|
| Computers | 3 years |
| Furniture and equipment | 7 years |
| Leasehold improvements | 7 years |
| Lease asset | 5 years |
- G. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, are reported as separate sections on the Statement of Net Position. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources in the current period. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources in the current period.
- H. Leases - as Lessee - The Bond Bank is a lessee for a noncancellable lease of the right to use office space. A lease is defined as a contract that conveys the right to use another entity's nonfinancial asset, including buildings and equipment, as specified in the contract for a period of time. The Bond Bank accounts for contracts meeting this definition under GASB Statement No. 87, *Leases*. The Bond Bank recognizes a lease liability and a right to use lease asset (lease asset) in the financial statements. At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability plus any payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is depreciated on a straight-line basis over its useful life. Key estimates and judgments include how the Bond Bank determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments. The Bond Bank uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Bond Bank uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are fixed payments that the Bond Bank is reasonably certain to exercise. The Bond Bank monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported as current and noncurrent liabilities.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of significant accounting policies (continued):

- I. Leases - as Lessor - The Bond Bank is a lessor for a noncancellable lease of office space. The Bond Bank recognizes a lease receivable and a deferred inflow of resources in the financial statements at the commencement of a lease. The Bond Bank measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Bond Bank determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts. The Bond Bank uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are fixed payments the Bond Bank is reasonably certain to receive. The Bond Bank monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.
- J. Long-term obligations - Governmental activities, business-type activities and proprietary funds report long-term debt and other long-term obligations as liabilities in the applicable statement of net position.
- K. Use of estimates - The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- L. Prior year totals - The financial statements include certain prior year summarized comparative information in total but not by fund as presented in the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Bond Bank's financial statements for the year ended December 31, 2020, from which the summarized information was derived.
- M. Net Position - For enterprise funds the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of significant accounting policies (continued):

- N. New Accounting Standard - The Bond Bank has implemented GASB Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. The impact on these financial statements is that the Bond Bank implemented the standard for office space leases entered into during 2021. See Note 2.H., Note 2.I. and Note 12.

3. Custodial credit risk - deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Bond Bank's deposits may not be recovered. Cash consists of money market accounts invested primarily in commercial paper and government securities. The Bond Bank's custodial credit risk policy directs management to invest in cash or near cash investments that are either 100% FDIC insured or AAAM rated funds or government securities. As of December 31, 2021, general operating reserve cash was \$2,352,598. Of this total, \$144,468 was in collateralized and FDIC insured cash accounts. Of the remaining total of \$2,208,130, \$903,261 was held within "government money markets funds" and \$1,304,869 was in U.S. Treasury Bills maturing on or before January 27, 2022, rated AAAM and AAA, respectively, by Standard & Poor's Global Credit Rating Agency (Standard & Poor's). Unrestricted cash and cash equivalents in the Bond Fund of \$5,153,740 was held within "government money markets funds" rated AAAM by Standard and Poor's, held by the Trustee. These funds are secured in eligible investments as defined in the General Resolution.

4. Investments:

Unrestricted investments - The Bond Bank's investment objectives for its unrestricted investments are 1) to obtain regular, predictable interest income, through the investment in a diversified portfolio of U.S. Treasury and other government securities, corporate, mortgage and asset-backed securities, and other fixed income securities; and 2) to outperform the investment returns of the Barclays Intermediate Aggregate Bond Index.

The Bond Bank reports investments at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows.

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. Investments (continued):

The Bond Bank measures fair value using level 1 inputs because they are available and generally provide the most reliable evidence of fair value for the Bond Bank's investments. The classification and fair value of unrestricted investments held at December 31, 2021 and 2020 are identified as follows:

| | <u>Operating Fund</u> | |
|----------------------------------|-----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| Agency Securities | \$ 867,018 | \$ 1,657,651 |
| Asset-Backed Securities | 1,689,417 | 2,248,418 |
| Corporate Securities | 5,846,454 | 7,308,205 |
| Corporate Securities: Yankee | 843,527 | 351,918 |
| Mortgage-Backed Securities (MBS) | 5,719,066 | 8,220,448 |
| MBS: Collateralized | 1,219,290 | 1,251,752 |
| U.S. Treasury Securities | <u>7,910,123</u> | <u>3,899,090</u> |
| | <u>\$ 24,094,895</u> | <u>\$ 24,937,482</u> |

The Bond Bank's investment policy permits the following ranges expressed as percentages of fair value of the account:

| <u>Sector</u> | <u>Min%</u> | <u>Max%</u> | <u>Quality</u> | <u>Min%</u> | <u>Max%</u> |
|----------------------------|-------------|-------------|----------------|-------------|-------------|
| U.S. Treasury | 0% | 100% | U.S. Treasury | 0% | 100% |
| Federal Agency | 0% | 50% | Federal Agency | 0% | 100% |
| Mortgage-Backed Securities | 0% | 50% | Aaa/AAA | 0% | 50% |
| Corporate | 0% | 50% | Aa/AA | 0% | 50% |
| Asset-Backed Securities | 0% | 35% | A/A | 0% | 40% |
| Commercial MBS | 0% | 10% | Baa/BBB | 0% | 15% |
| Supranational | 0% | 10% | Ba/BB | 0% | 10% |

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. With the exception of U.S. Treasury, agency and agency mortgage issues, the Bond Bank's investment policy provides that no more than 5% of the portfolio may be invested in the obligations of any one issuer.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In addition to the ranges listed above, the Bond Bank's investment policy provides that the weighted average portfolio quality must be rated at least Aa2 by Moody's Investor Service and/or AA by Standard & Poor's (S&P). Issues downgraded below BB-/Ba3 must be disposed of in a prudent manner with a target disposition within 90 days after the date of the downgrade. As of December 31, 2021, the Bond Bank's unrestricted investments are identified on the next page.

VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. Investments (continued)

| S&P Credit Ratings | Agency Securities | Asset- Backed Securities | Corporate Securities | Corporate Securities: Yankee | Mortgage Backed Securities | MBS: Collateralized | U.S. Treasury Securities |
|--------------------------|----------------------|--------------------------------|-------------------------|------------------------------------|----------------------------------|------------------------|--------------------------------|
| AAA | \$ 867,018 | \$ 1,510,691 | \$ 328,488 | \$ - | \$ 5,719,066 | \$ 1,219,290 | \$ 7,910,123 |
| AA+ | - | 109,086 | - | - | - | - | - |
| AA | - | 49,632 | 38,669 | - | - | - | - |
| AA- | - | - | 64,571 | 84,858 | - | - | - |
| A+ | - | - | 539,345 | 74,527 | - | - | - |
| A | - | 20,008 | 644,017 | 530,060 | - | - | - |
| A- | - | - | 763,117 | - | - | - | - |
| BBB+ | - | - | 832,759 | - | - | - | - |
| BBB | - | - | 1,322,983 | 154,082 | - | - | - |
| BBB- | - | - | 1,097,384 | - | - | - | - |
| BB+ | - | - | 107,718 | - | - | - | - |
| BB | - | - | 61,642 | - | - | - | - |
| BB- | - | - | 45,761 | - | - | - | - |
| | <u>\$ 867,018</u> | <u>\$ 1,689,417</u> | <u>\$ 5,846,454</u> | <u>\$ 843,527</u> | <u>\$ 5,719,066</u> | <u>\$ 1,219,290</u> | <u>\$ 7,910,123</u> |

Interest rate risk - Interest rate risk is the risk that changes in interest rates will affect the fair value of certain investments. In accordance with its investment policy, the Bond Bank manages its exposure to declines in fair values of its unrestricted investments by limiting the weighted average maturity of its investment portfolio to within a range of 80% to 120% of that of the Barclays Intermediate Aggregate Bond Index. There are no limitations on the duration, or maturity, of specific securities. The weighted average duration for unrestricted investments is as follows:

| | Weighted Average Duration by Asset Class (Years) |
|----------------------------------|--|
| Agency Securities | 1.87 |
| Asset-Backed Securities | 1.06 |
| Corporate Securities | 4.62 |
| Corporate Securities: Yankee | 3.60 |
| Mortgage Backed Securities (MBS) | 2.65 |
| MBS: Collateralized | 5.47 |
| U.S. Treasury Securities | 4.39 |

VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. Investments (continued)

Restricted investments - The Bond Fund investments are restricted to meet the reserve requirements for each issue. The General Resolution provides that all monies held by the Trustees shall be continuously and fully secured, for the benefit of the Bond Bank and the holders of the bonds. The restricted investments in the Bond Fund are to be invested in obligations with maturity dates which coincide as nearly as practicable with dates of debt service or other purposes provided in the General Resolution. Allowable investments are limited by certain restrictions and include 1) direct obligations of the United States of America or obligations which are guaranteed or insured by the United States of America, or instrumentality or agency thereof; 2) state and municipal bonds provided they are rated at least A at the time of investment; 3) interest bearing obligations issued, assumed, or guaranteed by any solvent U.S. institution rated at least A at the time of investment, certificates of deposit or time deposits at banking institutions with capital surplus and undivided profits of not less than \$25,000,000; 4) repurchase agreements with maturities of not more than 30 days with a bank or trust company that has a combined capital surplus and undivided profits not less than \$100,000,000 or with primary government dealers who are members of the Securities Investor Protection Corporation; and 5) units of a taxable government money market portfolio comprised solely of obligations listed above. The funds may also be deposited in an interest bearing account held by the Trustee provided that the account is fully secured by direct obligations of the United States of America. The classification and fair value of restricted investments held at December 31, 2021 and 2020 are as follows:

| | <u>Bond Fund</u> | |
|----------------------|----------------------|----------------------|
| | <u>2021</u> | <u>2020</u> |
| U.S. Treasury Bonds | \$ 21,588,308 | \$ 17,995,198 |
| U.S. Treasury Notes | 39,915,847 | 41,846,814 |
| U.S. Treasury Strips | 1,786,670 | 1,820,751 |
| U.S. Governments | <u>1,745,895</u> | <u>3,393,749</u> |
| | \$ <u>65,036,720</u> | \$ <u>65,056,512</u> |

Restricted investments in the Bond Fund at December 31, 2021 mature as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturity (in Years)</u> | | | |
|------------------------|----------------------|---------------------------------------|----------------------|----------------------|----------------------|
| | | <u>≤ 1</u> | <u>1-5</u> | <u>6-10</u> | <u>> 10</u> |
| U.S. Treasury Bonds | \$ 21,588,308 | \$ 431,790 | \$ 8,196,549 | \$ 6,568,480 | \$ 6,391,489 |
| U.S. Treasury Notes | 39,915,847 | 948,969 | 8,543,921 | 12,450,389 | 17,972,568 |
| U.S. Treasury Strips | 1,786,670 | 13,985 | 1,772,685 | - | - |
| U.S. Governments | <u>1,745,895</u> | <u>382,948</u> | <u>21,348</u> | <u>1,341,599</u> | <u>-</u> |
| | \$ <u>65,036,720</u> | \$ <u>1,777,692</u> | \$ <u>18,534,503</u> | \$ <u>20,360,468</u> | \$ <u>24,364,057</u> |

Restricted cash - On December 31, 2021, \$2,293,497 of cash in reserve funds was restricted by the terms of the bond requirements.

VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. Loans to municipalities:

Loans to municipalities are secured by revenues or are general obligations of the municipalities. Interest rates correspond with the interest rates on the related bonds payable by the Bond Bank plus, in some cases, an increment is added to fund capitalized interest, reserve requirements and issue costs. The loans mature during the same periods as the related bonds payable.

Interest savings from refundings may be passed through to the municipalities and are included in other expense. Other expense for the fiscal years ended December 31, 2021 and 2020 included interest credits to municipalities from the following refundings.

| | <u>Other Expense</u> | |
|---------------|----------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| Refundings | | |
| 2010 Series 4 | \$ - | \$ 276,338 |
| 2011 Series 4 | - | 50,000 |
| 2012 Series 3 | 185,000 | 180,000 |
| 2014 Series 2 | 100,000 | 115,000 |
| 2014 Series 4 | 85,000 | 160,000 |
| 2015 Series 1 | 193,175 | 194,292 |
| 2015 Series 3 | 496,840 | 105,569 |
| 2015 Series 4 | 16,410 | - |
| 2015 Series 5 | 274,062 | 145,363 |
| 2016 Series 2 | 120,532 | - |
| 2017 Series 4 | 35,660 | 37,092 |
| 2021 Series 2 | 102,544 | - |
| 2021 Series 4 | <u>303,024</u> | <u>-</u> |
| | \$ <u>1,912,247</u> | \$ <u>1,263,654</u> |

VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. Capital assets:

Capital asset activity for the year ended December 31, 2021 is shown in the following table:

| | Balance January 1, 2021 | Increase | Decrease | Balance December 31, 2021 |
|------------------------------------|----------------------------|------------|----------|------------------------------|
| Capital assets, depreciated: | | | | |
| Computer equipment | \$ - | \$ 2,605 | \$ - | \$ 2,605 |
| Furniture and Fixtures | - | 51,745 | - | 51,745 |
| Leashold Improvements | - | 46,273 | - | 46,273 |
| Lease asset | - | 75,442 | - | 75,442 |
| Total capital assets, depreciated | - | 176,065 | - | 176,065 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | - | 1,996 | - | 1,996 |
| Leashold Improvements | - | 1,652 | - | 1,652 |
| Lease asset | - | 12,574 | - | 12,574 |
| Total accumulated depreciation | - | 16,222 | - | 16,222 |
| Capital assets, net | \$ - | \$ 159,843 | \$ - | \$ 159,843 |

7. Bond liability activity:

Bond liability activity for the year ended December 31, 2021, was as follows:

| | January 1, 2021 | Additions | Reductions | December 31, 2021 | Amounts Due Within One Year |
|--|--------------------|---------------|---------------|----------------------|-----------------------------------|
| Bonds payable | \$ 575,810,000 | \$ 61,660,000 | \$ 58,035,000 | \$ 579,435,000 | \$ 45,385,000 |
| Plus unamortized premium (discount) | 46,785,785 | 6,781,832 | 8,287,052 | 45,280,565 | - |
| Total bonds payable | 622,595,785 | 68,441,832 | 66,322,052 | 624,715,565 | 45,385,000 |
| Accrued arbitrage rebate | 245,225 | 7,264 | 220,490 | 31,999 | 6,228 |
| | \$ 622,841,010 | \$ 68,449,096 | \$ 66,542,542 | \$ 624,747,564 | \$ 45,391,228 |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable:

Bonds payable consist of the following.

| | <u>2021</u> | <u>2020</u> |
|---|--------------|--------------|
| 2008 Series 2 Bonds consist of \$5,145,000 Term Bonds with interest at 6.25% through December 1, 2032; interest payable semi-annually. | \$ 5,145,000 | \$ 5,300,000 |
| 2010 Series 2 Bonds consist of \$1,765,000 5.12% Term Bonds with interest at 5.12% through December 1, 2025 and \$1,845,000 with interest at 5.738% Term Bonds maturing December 1, 2030; interest payable semi-annually. | 3,610,000 | 4,010,000 |
| 2010 Series 3 Bonds consist of \$1,365,000 Term Bonds with interest at 5.388% maturing December 1, 2026; interest payable semi-annually. | 1,365,000 | 1,365,000 |
| 2010 Series 4 Bonds consist of \$2,695,000 Refunding Bonds with interest at 3.3% to 5.0% through December 1, 2031; plus unamortized premium of \$9,842; interest payable semi-annually. Refunded by 2021 Series 2. | - | 2,704,842 |
| 2010 Series 5 Bonds consist of \$1,280,000 Serial Bonds with interest at 5.454% to 5.604% through December 1, 2025; \$3,440,000 5.204% Term Bonds due December 1, 2023; \$8,150,000 6.036% Term Bonds due December 1, 2035; and \$495,000 6.186% Term Bonds due December 1, 2040; interest payable semi-annually. | 13,365,000 | 14,480,000 |
| 2011 Series 1 Bonds consist of \$9,500,000 Term Bonds with interest at 5.66% maturing December 1, 2025; interest payable semi-annually. | 9,500,000 | 9,500,000 |
| 2011 Series 2 Bonds consist of \$1,470,000 Serial Bonds with interest at 3.0% through December 1, 2021; interest payable semi-annually. Partially refunded by 2016 Series 2. | - | 1,470,000 |
| 2011 Series 3 Bonds consist of \$2,940,000 Term Bonds with interest at 4.749% maturing December 1, 2027; interest payable semi-annually. | 2,940,000 | 2,940,000 |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| 2011 Series 4 Bonds consist of \$2,670,000 Refunding Bonds with interest at 3.375% to 5.0% through December 1, 2032; plus unamortized premium of \$60,635; interest payable semi-annually. Refunded by 2021 Series 4. | - | 2,730,635 |
| 2011 Series 5 Bonds consist of \$1,675,000 Serial Bonds with interest at 4.0% through December 1, 2021; interest payable semi-annually. Partially refunded by 2016 Series 2. | - | 1,675,000 |
| 2011 Series 6 Bonds consist of \$9,480,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2033; plus unamortized premium of \$275,849; interest payable semi-annually. Refunded by 2021 Series 4. | - | 9,755,849 |
| 2012 Series 1 Bonds consist of \$19,130,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2032; \$1,645,000 4.0% Term bonds maturing December 1, 2042; plus unamortized premium of \$1,063,506; interest payable semi-annually. | 21,838,506 | 23,880,847 |
| 2012 Series 2 Bonds consist of \$300,000 Term Bonds with interest at 3.513% maturing December 1, 2027; and \$8,555,000 3.960% Term Bonds due December 1, 2032; interest payable semi-annually. | 8,855,000 | 8,855,000 |
| 2012 Series 3 Bonds consist of \$7,210,000 Refunding Bonds with interest at 5.0% through December 1, 2024; plus unamortized premium of \$300,518; interest payable semi-annually. | 7,510,518 | 10,244,180 |
| 2012 Series 4 Bonds consist of \$3,415,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2032; \$540,000 5.0% Term Bonds maturing December 1, 2034; \$555,000 5.0% Term Bonds maturing December 1, 2037; and \$365,000 3.375% Term Bonds maturing December 1, 2043; plus unamortized premium of \$362,871; interest payable semi-annually. | 5,237,871 | 5,800,198 |
| 2012 Series 5 Bonds consist of \$505,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2023; plus unamortized premium of \$22,039; interest payable semi-annually. | 527,039 | 553,320 |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| 2013 Series 1 Bonds consist of \$6,420,000 Serial Bonds with interest at 5.0% through December 1, 2023; plus unamortized premium of \$159,013; interest payable semi-annually. Partially refunded by 2017 Series 4. | 6,579,013 | 9,906,877 |
| 2014 Series 1 Bonds consist of \$20,505,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2033; plus unamortized premium of \$786,787; interest payable semi-annually. | 21,291,787 | 22,705,570 |
| 2014 Series 2 Bonds consist of \$6,635,000 refunding Bonds with interest at 5.0% through December 1, 2025; plus unamortized premium of \$243,081; interest payable semi-annually. | 6,878,081 | 8,969,827 |
| 2014 Series 3 Bonds consist of \$31,830,000 Serial Bonds with interest at 5.0% through December 1, 2034; \$1,450,000 5.0% Term Bonds maturing December 1, 2044; plus unamortized premium of \$2,407,892; interest payable semi-annually. | 35,687,892 | 39,044,231 |
| 2014 Series 4 Bonds consist of \$10,175,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2026; plus unamortized premium of \$544,407; interest payable semi-annually. | 10,719,407 | 13,037,348 |
| 2015 Series 1 Bonds consist of \$15,620,000 Refunding Bonds with interest at 1.875% to 5.0% through December 1, 2027; \$695,000 3.75% Term Bonds maturing on December 1, 2037; plus unamortized premium of \$840,380; interest payable semi-annually. | 17,155,380 | 20,094,379 |
| 2015 Series 2 Bonds consist of \$4,530,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2035; \$1,740,000 4.0% Term Bonds maturing December 1, 2045; plus unamortized premium of \$134,353; interest payable semi-annually. | 6,404,353 | 6,724,287 |
| 2015 Series 3 Bonds consist of \$440,000 Refunding Bonds with interest at 2.0% to 3.0% through December 1, 2025; plus unamortized premium of \$5,776; interest payable semi-annually. | 445,776 | 1,404,710 |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| 2015 Series 4 Bonds consist of \$775,000 Taxable Serial Bonds with interest at 2.8% to 3.45% through December 1, 2025; \$4,000,000 4.494% Taxable Term Bonds maturing December 1, 2040; \$4,275,000 4.6% Term Bonds maturing December 1, 2045; interest payable semi-annually. | 9,050,000 | 9,275,000 |
| 2015 Series 5 Bonds consist of \$38,605,000 Refunding Serial Bonds with interest at 2.0% to 5.0% through December 1, 2035; \$2,080,000 4.0% Term Bonds maturing December 1, 2039; plus unamortized premium of \$1,130,650; interest payable semi-annually. | 41,815,650 | 47,045,488 |
| 2016 Series 1 Bonds consist of \$28,125,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2036; \$3,145,000 5.0% Term Bonds maturing December 1, 2041; \$1,240,000 5.0% Term Bonds maturing December 1, 2046; plus unamortized premium of \$4,809,534; interest payable semi-annually. | 37,319,534 | 39,818,027 |
| 2016 Series 2 Bonds consist of \$48,435,000 Refunding Serial Bonds with interest at 5.0% through December 1, 2036; \$2,165,000 3.0% Term Bonds maturing December 1, 2041; plus unamortized premium of \$7,139,428; interest payable semi-annually. | 57,739,428 | 59,940,733 |
| 2017 Series 1 Bonds consist of \$24,030,000 Serial Bonds with interest at 2.5% to 5.0% through December 1, 2037; \$4,420,000 3.75% Term Bonds maturing December 1, 2047; plus unamortized premium of \$2,395,545; interest payable semi-annually. | 30,845,545 | 32,115,937 |
| 2017 Series 2 Bonds consist of \$3,030,000 Serial Bonds with interest at 2.25% to 5.0% through December 1, 2030; \$1,755,000 3.75% Term Bonds maturing December 1, 2047; plus unamortized premium of \$53,984; interest payable semi-annually. | 4,838,984 | 5,194,466 |
| 2017 Series 3 Bonds consist of \$19,675,000 Serial Bonds with interest at 5.0% through December 1, 2037; \$3,895,000 5.0% Term Bonds maturing December 1, 2047; plus unamortized premium of \$3,162,522; interest payable semi-annually. | 26,732,522 | 28,110,794 |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| 2017 Series 4 Bonds consist of \$26,040,000 Refunding Serial Bonds with interest at 3.125% to 5.0% through December 1, 2033; \$360,000 3.25% Term Bonds maturing December 1, 2037; \$640,000 4.0% Term Bonds maturing December 1, 2043; plus unamortized premium of \$2,369,337; interest payable semi-annually. | 29,409,337 | 29,928,147 |
| 2018 Series 1 Bonds consist of \$4,280,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2034; \$1,310,000 3.375% Term Bonds maturing December 1, 2038; \$1,685,000 3.5% Term Bonds maturing December 1, 2044; plus unamortized premium of \$361,514; interest payable semi-annually. | 7,636,514 | 7,975,333 |
| 2018 Series 2 Bonds consist of \$28,770,000 Serial Bonds with interest at 2.25% to 5.0% through December 1, 2038; \$755,000 3.375% Term Bonds maturing December 1, 2043; plus unamortized premium of \$1,459,681 interest payable semi-annually. | 30,984,681 | 32,703,372 |
| 2019 Series 1 Bonds consist of \$15,465,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2039; \$4,195,000 3.5% Term Bonds maturing December 1, 2044; \$3,740,000 4.0% Term Bonds maturing December 1, 2049 plus unamortized premium of \$1,521,894; interest payable semi-annually. | 24,921,894 | 25,888,979 |
| 2019 Series 2 Bonds consist of \$27,020,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2039; \$1,280,000 3.0% Term Bonds maturing December 1, 2044; \$800,000 3.0% Term Bonds maturing December 1, 2049; plus unamortized premium of \$2,678,012; interest payable semi-annually. | 31,778,012 | 33,629,589 |
| 2020 Series 1 Bonds consist of \$17,915,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2040; \$2,000,000 3.0% Term Bonds maturing December 1, 2045; \$1,815,000 4.0% Term Bonds maturing December 1, 2050 plus unamortized premium of \$2,757,319; interest payable semi-annually. | 24,487,319 | 25,579,818 |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

| | <u>2021</u> | <u>2020</u> |
|---|---------------------------|------------------------------|
| 2020 Series 2 Bonds consist of \$13,865,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2040; \$965,000 4.0% Term Bonds maturing December 1, 2045; \$835,000 4.0% Term Bonds maturing December 1, 2050; plus unamortized premium of \$2,033,432; interest payable semi-annually. | 17,698,432 | 18,238,002 |
| 2021 Series 1 Bonds consist of \$27,125,000 Serial Bonds with interest at 2.125% to 5.0% through December 1, 2041; \$1,660,000 2.375% Term Bonds maturing December 1, 2046; \$1,510,000 2.5% Term Bonds maturing December 1, 2051; plus unamortized premium of \$3,349,275; interest payable semi-annually. | 33,644,275 | - |
| 2021 Series 2 Refunding Bonds consist of \$965,000 Term Bonds with interest at 1.05% maturing December 1, 2026; \$710,000 2.0% Term Bonds maturing December 1, 2031; interest payable semi-annually. | 1,675,000 | - |
| 2021 Series 3 Bonds consist of \$11,995,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2035; \$2,925,000 2.0% Term Bonds maturing December 1, 2038; \$2,695,000 2.0% Term Bonds maturing December 1, 2041; plus unamortized premium of \$2,698,886; interest payable semi-annually. | 20,313,886 | - |
| 2021 Series 4 Refunding Bonds consist of \$8,280,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2033; plus unamortized premium of \$488,928; interest payable semi-annually. | 8,768,928 | - |
| | 624,715,565 | 622,595,785 |
| Less current portion of bonds payable | <u>(45,385,000)</u> | <u>(44,440,000)</u> |
| Long term bonds payable plus unamortized net premium \$ | <u><u>579,330,565</u></u> | <u><u>\$ 578,155,785</u></u> |

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

The annual requirements to amortize bonds payable as of December 31, 2021 are as follows:

| Year ending December 31, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|-----------------------|-----------------------|-----------------------|
| 2022 | \$ 45,385,000 | \$ 25,606,429 | \$ 70,991,429 |
| 2023 | 44,595,000 | 23,574,104 | 68,169,104 |
| 2024 | 40,970,000 | 21,590,814 | 62,560,814 |
| 2025 | 48,800,000 | 19,670,228 | 68,470,228 |
| 2026 | 38,185,000 | 17,260,521 | 55,445,521 |
| 2027 to 2031 | 164,640,000 | 61,193,199 | 225,833,199 |
| 2032 to 2036 | 114,955,000 | 27,162,099 | 142,117,099 |
| 2037 to 2041 | 52,465,000 | 10,147,050 | 62,612,050 |
| 2042 to 2046 | 21,030,000 | 3,781,734 | 24,811,734 |
| 2047 to 2051 | 8,410,000 | 662,413 | 9,072,413 |
| | <u>579,435,000</u> | <u>210,648,591</u> | <u>790,083,591</u> |
| Unamortized premium (discount) at December 31, 2021 | <u>45,280,565</u> | <u>-</u> | <u>45,280,565</u> |
| | <u>\$ 624,715,565</u> | <u>\$ 210,648,591</u> | <u>\$ 835,364,156</u> |

The deferred outflow on refunding of bonds payable at December 31, 2021 includes, \$865,561 in 2012 Series 3 Bonds, \$145,504 in 2012 Series 5 Bonds, \$401,252 in 2014 Series 2 Bonds, \$787,006 in 2014 Series 4 Bonds, \$1,272,184 in 2015 Series 1 Bonds, \$1,125,446 in 2015 Series 3 Bonds, \$2,920,096 in 2015 Series 5 Bonds, \$5,581,666 in 2016 Series 2 Bonds and \$2,010,553 in 2017 Series 4 Bonds.

In 2017, the Bond Bank defeased certain 2013 Series 1 bonds placing the proceeds in an irrevocable trust with an escrow agent to provide for payment of the refunded bonds. Accordingly, the trust account assets and the liability for those bonds has been removed from the Bond Bank's financial statements. At December 31, 2021, \$26,480,000 of 2013 Series 1 Bonds to be called on December 1, 2023, are still outstanding and are considered defeased.

In May 2017 and January 2020, the VMBB issued \$67,660,000 2017 Series A Bonds and \$24,185,000 2020 Series A Bonds respectively, for the purpose of issuing loans to the Vermont State College System. The bonds were issued under the 2017 General Vermont State Colleges System (VSCS) Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Bond Bank. The bonds are direct obligations of the Bank payable solely from the funds and accounts established by the General Resolution for the VSCS Program. None of the funds and accounts established under the Bond Fund, or any other funds of the Bank not held under the General Resolution for the VSCS Program, are pledged to the security of the Bonds. Accordingly, the bonds are not reported as liabilities, and any related assets held by trustees are not reported as assets, in the accompanying financial statements. At December 31, 2021, the VSCS outstanding bonds payable were \$65,045,000 of 2017 VSCS Series A Bonds and \$24,185,000 of 2020 VSCS Series A under this resolution.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

9. Reserve requirement:

The Bond Bank is required to maintain certain amounts in reserve funds. The Trustees' evaluation of the reserve fund and the reserve requirements are summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|----------------------|----------------------|
| Reserve Fund - | | |
| Amortized value | \$ 55,059,878 | \$ 54,462,784 |
| Reserve requirement | <u>44,009,110</u> | <u>43,583,554</u> |
| Excess above requirement | \$ <u>11,050,768</u> | \$ <u>10,879,230</u> |

The value includes amortization of premium or discount and accrued interest on securities held in the reserve funds. Restricted cash of \$2,293,497 and \$1,617,047 is included in the amortized value at December 31, 2021 and December 31, 2020, respectively.

10. Accrued arbitrage rebate payable:

The accrued arbitrage rebate payable is based on interim arbitrage rebate analysis performed by the Bond Bank's arbitrage rebate counsel for bonds issued prior to 2021.

11. Transfer to Bond Fund:

The \$73,234 transfer during 2021 to the Bond Fund includes cost of issuance equity contributions of \$101,203, refinancing of USDA loan \$251,708 assigned to 2015 Series 4 bonds, and an arbitrage payment of \$2,376 for the 2010 Series 1 bonds from the Operating Fund. Unrestricted interest earnings of \$282,053 were transferred to the Operating Fund.

12. Leases:

Lease - as Lessee - During the year, the Bond Bank entered into a five year contract for the right to the use of office space. The minimum rent of \$75,442 for five years was paid in one lump sum on commencement of the lease. An initial lease liability was recorded in the amount of \$75,442 and reduced to \$0 during the current fiscal year. The lease provides that the Bond Bank will pay common area maintenance in monthly installments at a rate per square foot documented in the lease and pay a pro rata share of real estate taxes and insurance based on the percentage of the property leased. The Bond Bank is responsible for payment directly for all charges for telecommunications, utilities, cleaning and trash services used in connection with the premises. The Bond Bank recorded a lease asset of \$75,442 in capital assets and depreciation of \$12,574 for the year. The lease asset is depreciated using the straight-line method over a useful life of five years.

Total occupancy expense was \$14,735 and \$19,602 for the fiscal years ended December 31, 2021 and December 31, 2020, respectively.

VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

12. Leases (continued):

Lease - as Lessor - During the year, the Bond Bank began contract leasing a portion of its leased office space to a third party. The lease is for five years and the rent of \$27,231 which was due in one lump sum on commencement of the lease was recorded as a deferred inflow of resources that will be recognized as revenue over the lease term. The Bond Bank recognized \$2,709 in lease revenue and \$0 in interest revenue during the current fiscal year related to this lease. As of December 31, 2021, the balance of the deferred inflow of resources was \$24,522. The lease provides that the lessee will pay common area maintenance in monthly installments at a rate per square foot documented in the lease and pay a pro rata share of real estate taxes and insurance based on the percentage of the property leased. The lessee is responsible for payment directly for all charges for telecommunications, utilities, cleaning and trash services used in connection with the premises.

13. Retirement plan:

As of December 31, 2021, the Bond Bank had a simplified employee pension (SEP) plan for regular employees. In 2021, the Bond Bank's policy was to contribute 10% of annual compensation. To be eligible, an active employee must be twenty-one years of age and have been employed by the Bond Bank for over one year. In 2021 and 2020, the Bond Bank contributed to retirement plans in the amount of \$32,542 and \$17,401, respectively.

14. Related party transactions:

The Bond Bank receives reimbursements from related parties for general and administrative services. The amount of related party reimbursements was \$310,493 and \$239,726 for the years ended December 31, 2021 and December 31, 2020, respectively. The total amounts receivable in the Operating Fund as of December 31, 2021 and December 31, 2020 were \$101,074 and \$99,230, respectively from these related parties.

15. Subsequent events:

In February 2022, the Bond Bank issued the 2022 Series 1 Bonds in the amounts of \$8,037,000, through a direct purchase of the bonds by Northfield Savings Bank. The bonds were authorized under the 1988 General Resolution and designated as Local Investment Bonds to reflect the local impact of the projects that are capitalized by the 2022 Bonds.

The Bond Bank has evaluated subsequent events through May 26, 2022, the date on which the financial statements were available to be issued.

Mudgett
Jennett &
Krogh-Wisner, P.C.

Certified Public Accountants #435

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Vermont Municipal Bond Bank

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Vermont Municipal Bond Bank, a component unit of the State of Vermont, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Vermont Municipal Bond Bank's basic financial statements, and have issued our report thereon dated May 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Vermont Municipal Bond Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vermont Municipal Bond Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vermont Municipal Bond Bank's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Vermont Municipal Bond Bank's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermont Municipal Bond Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Vermont Municipal Bond Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Vermont Municipal Bond Bank's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
May 26, 2022

Melgett Jennett 4
Shah Nian, P.L.

Vermont Municipal Bond Bank

2022 Series 2 Bonds (Local Investment Bonds)
2022 Series 3 Refunding Bonds
(collectively, the “Bonds”)

Continuing Disclosure Undertaking

Prior to the issuance of the Bonds, the Vermont Municipal Bond Bank (the “Bank”) (d/b/a the Vermont Bond Bank) and U.S. Bank Trust Company, National Association, as dissemination agent (the “Dissemination Agent”) will enter into a continuing disclosure agreement (the “Disclosure Agreement”) setting forth the undertakings of the Bank regarding continuing disclosure with respect to the Bonds. In the Disclosure Agreement, the Bank will undertake for the benefit of the registered owners and Beneficial Owners (the “owners”) of the Bonds to provide to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), within the meaning of the Rule, not later than September 1 of each year, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Bank for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Bank are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than December 1 of each year) or (ii) notice of the Bank's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the Bank, in each case substantially in the same level of detail as is found in the referenced Official Statement, including in any event an update of the information set forth in Appendix B of the final Official Statement.

In addition, the annual financial information shall contain the following information received by the Bank from each Obligated Person, if any, pursuant to the Loan Agreements: (a) the financial statements of each Obligated Person, if any, for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles as in effect from time to time or otherwise in accordance with applicable state law, if any, and (b) operating data for each Obligated Person, if any, for the most recently ended prior fiscal year which will include, to the extent applicable to the Obligated Person: (1) tax base and rates and collection percentages; (2) service charges, fees or rates and use data; (3) number of customers or students; (4) number of employees; (5) material changes in service delivery capacity; and (6) gain or loss of contracts having or projected to have a material impact on its financial position. “Obligated Person” means the Bank and any Municipality that has issued Municipal Bonds purchased by the Bank in an amount which exceeds in the aggregate 15% of the total principal amount outstanding as of September 1 of each year of Municipal Bonds purchased by the Bank under the Bank’s General Bond Resolution adopted on May 3, 1988, as amended.

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Bank or any such Obligated Person, which have been submitted to EMMA. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the MSRB. The Bank's annual financial statements for each fiscal year shall consist of the balance sheet of the Bank and the related statements of revenue, expenses and changes in fund balances and statement of cash flows prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Bank.

In the Disclosure Agreement, the Bank also will undertake for the benefit of the owners of the Bonds to provide to EMMA in a timely manner, not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds or with respect to any Municipal Bonds in accordance with the Loan Agreements:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bonds calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of an Obligated Person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) the incurrence of a financial obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an Obligated Person, any of which affect security holders, if material; and
- (xvi) the default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an Obligated Person, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person. For purposes of the events identified in subparagraphs (xv) and (xvi), the term “financial obligation” (A) means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation’ or (iii) a guarantee of (i) or (ii) and (B) excludes municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Nothing in the Disclosure Agreement shall preclude the Bank from disseminating any information in addition to that required under the Disclosure Agreement. If the Bank disseminates any such additional information, nothing in the Disclosure Agreement shall obligate the Bank to update such information or include it in any future materials disseminated.

To the extent permitted by law, the provisions of the Disclosure Agreement shall be enforceable against the Bank in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Bank). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Bank and to compel the Bank and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Bank in connection with such undertakings and shall not include any rights to monetary damages. The Bank's obligations in respect of the Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of the Disclosure Agreement may be amended by the Bank and the Dissemination Agent, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Bank for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Bank (such as Bank bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

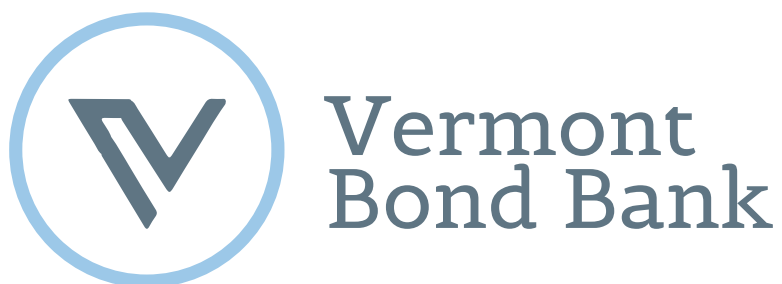
REFUNDED BONDS*

| <u>Bonds</u> | <u>Maturity or Sinking Fund Payment Date (December 1)</u> | <u>Interest Rate</u> | <u>Par Amount</u> | <u>Redemption Date (September 2)</u> | <u>Redemption Price</u> | <u>CUSIP†</u> |
|--------------------------------------|---|--------------------------|-----------------------|--|-----------------------------|---------------|
| 2012 Series 1 Bonds | | | | | | |
| | 2023 | 5.000% | \$1,695,000 | 2022 | 100 | 924214LN7 |
| | 2024 | 5.000 | 1,720,000 | 2022 | 100 | 924214LP2 |
| | 2025 | 5.000 | 1,735,000 | 2022 | 100 | 924214LQ0 |
| | 2026 | 3.000 | 1,735,000 | 2022 | 100 | 924214LR8 |
| | 2027 | 3.000 | 1,715,000 | 2022 | 100 | 924214LS6 |
| | 2028 | 5.000 | 1,710,000 | 2022 | 100 | 924214LT4 |
| | 2029 | 5.000 | 1,730,000 | 2022 | 100 | 924214LU1 |
| | 2030 | 5.000 | 1,745,000 | 2022 | 100 | 924214LV9 |
| | 2031 | 5.000 | 1,760,000 | 2022 | 100 | 924214LW7 |
| | 2032 | 5.000 | 1,775,000 | 2022 | 100 | 924214LX5 |
| | 2033 | 4.000 | 140,000 | 2022 | 100 | 924214LY3 |
| | 2034 | 4.000 | <u>140,000</u> | 2022 | 100 | 924214LY3 |
| Subtotal | | | \$17,600,000 | | | |
| 2012 Series 3 Refunding Bonds | | | | | | |
| | 2023 | 5.000% | \$2,440,000 | 2022 | 100 | 924214MS5 |
| | 2034 | 5.000 | <u>2,325,000</u> | 2022 | 100 | 924214MT3 |
| Subtotal | | | \$4,765,000 | | | |
| 2012 Series 4 Bonds | | | | | | |
| | 2023 | 4.000% | \$275,000 | 2022 | 100 | 924214NE5 |
| | 2024 | 5.000 | 275,000 | 2022 | 100 | 924214NF2 |
| | 2025 | 5.000 | 270,000 | 2022 | 100 | 924214NG0 |
| | 2026 | 5.000 | 280,000 | 2022 | 100 | 924214NH8 |
| | 2027 | 5.000 | 280,000 | 2022 | 100 | 924214NJ4 |
| | 2028 | 5.000 | 305,000 | 2022 | 100 | 924214NL9 |
| | 2029 | 5.000 | 320,000 | 2022 | 100 | 924214NM7 |
| | 2030 | 5.000 | 310,000 | 2022 | 100 | 924214NN5 |
| | 2031 | 5.000 | 300,000 | 2022 | 100 | 924214NP0 |
| | 2032 | 5.000 | 300,000 | 2022 | 100 | 924214NQ8 |
| | 2033 | 5.000 | 285,000 | 2022 | 100 | 924214NS4 |
| | 2034 | 5.000 | 255,000 | 2022 | 100 | 924214NS4 |
| | 2035 | 5.000 | 215,000 | 2022 | 100 | 924214NR6 |
| | 2036 | 5.000 | 195,000 | 2022 | 100 | 924214NR6 |
| | 2037 | 5.000 | <u>145,000</u> | 2022 | 100 | 924214NR6 |
| Subtotal | | | \$4,010,000 | | | |
| 2012 Series 5 Refunding Bonds | | | | | | |
| | 2023 | 5.000% | <u>480,000</u> | 2022 | 100 | 924214PC7 |
| Total | | | \$26,855,000 | | | |

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by FactSet Research Systems, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the Bondholders and the Bank makes no representations with respect to such numbers or undertakes any responsibility for their accuracy. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

[THIS PAGE INTENTIONALLY LEFT BLANK]



Printed by: ImageMaster, LLC
www.imagemaster.com