

NEW ISSUE

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Bond Bank, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of holders of such bonds for federal income tax purposes. Interest on the Bonds will not constitute a preference item for purposes of computation of the federal individual alternative minimum tax; however, Bond Counsel observes that interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from computation of the federal corporate alternative minimum tax. 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.



\$48,480,000
VERMONT BOND BANK
2024 Series 2 Bonds

Dated: Date of Delivery

Due: December 1, as shown on the inside cover

The 2024 Series 2 Bonds (the “Bonds”) of 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 \$5,000 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. Omnicap Group LLC, El Segundo, California, serves as financial advisor to the Bond Bank. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York or its custodial agent on or about August 8, 2024.

August 1, 2024

\$48,480,000
Vermont Bond Bank
2024 Series 2 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>
2025	\$2,130,000	5.000%	2.850%	924215AY2
2026	2,260,000	5.000	2.850	924215AZ9
2027	2,290,000	5.000	2.840	924215BA3
2028	2,180,000	5.000	2.810	924215BB1
2029	2,320,000	5.000	2.800	924215BC9
2030	2,290,000	5.000	2.830	924215BD7
2031	2,250,000	5.000	2.830	924215BE5
2032	2,195,000	5.000	2.830 ⁺	924215BF2
2033	2,100,000	5.000	2.860 ⁺	924215BG0
2034	2,220,000	5.000	2.880 ⁺	924215BH8
2035	2,245,000	5.000	2.920 ⁺	924215BJ4
2036	2,250,000	5.000	2.990 ⁺	924215BK1
2037	2,270,000	5.000	3.050 ⁺	924215BL9
2038	2,170,000	5.000	3.070 ⁺	924215BM7
2039	3,430,000	4.000	3.470 ⁺	924215BN5
2040	2,400,000	4.000	3.600 ⁺	924215BP0
2041	2,295,000	4.000	3.700 ⁺	924215BQ8
2042	2,260,000	4.000	3.800 ⁺	924215BR6
2043	2,710,000	4.000	3.850 ⁺	924215BS4
2044	2,275,000	4.000	3.900 ⁺	924215BT2

\$725,000 4.000% Term Bonds maturing December 1, 2049 to yield 4.104% - CUSIP 924215BY1*

\$1,215,000 4.000% Term Bonds maturing December 1, 2054 to yield 4.175% - CUSIP 924215CD6*

* 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.

⁺ Priced to the first optional redemption date, October 1, 2032.

INTRODUCTION TO THE OFFICIAL STATEMENT

The following is furnished solely to provide limited introductory information regarding the \$48,480,000 Vermont Bond Bank 2024 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 and definitions of terms 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 Bond Bank (the “Bond Bank”)
Purpose:	The Bonds are being issued: (i) to make loans to Governmental Units through the purchase of Municipal Bonds issued by such Governmental Units, (ii) to fund interest on a portion of the Bonds, (iii) to make a deposit into the Reserve Fund held by the Trustee under the General Resolution, and (iv) to pay the costs of issuance of the Bonds.
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. 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 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. If there is a draw on the Reserve Fund that reduces the amount therein below the Required Debt Service Reserve, 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 Resolution 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:	The Bonds maturing on and after December 1, 2032 are subject to redemption at the option of the Bond Bank, at any time on and after October 1, 2032, in whole or in part, at par plus accrued interest to the date of redemption. The Bonds maturing December 1, 2049 and December 1, 2054 are subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption Provisions.”
Denominations:	The Bonds will be issued in denominations of \$5,000 and integral multiples thereof.
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.”
Principal Payments:	Annually, each December 1, commencing December 1, 2025.
Interest Payments:	Semi-annually, each June 1 and December 1, commencing December 1, 2024.
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/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.
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 2024 Series 2 Bonds (the “Series Resolution” and together with the General Resolution, the “Resolution”), adopted June 27, 2024.
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 Official Notice of Sale.
Delivery:	The Bonds are expected to be issued on or about August 8, 2024.
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.

PARITY 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 GENERAL OBLIGATION BONDS.”

Outstanding General Obligation Bonds as of July 1, 2024

General Resolution Bonds	\$612,491,000
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As described under “VERMONT BOND BANK – Other Financing Programs and Indebtedness,” the Bond Bank has outstanding or expects to issue indebtedness payable from different funds and assets than, and not on parity with, the Bonds and the other General Resolution Bonds.

As described under “INTRODUCTION” and “OUTSTANDING GENERAL OBLIGATION BONDS” herein, the Bond Bank may issue on or about September 5, 2024 its 2024 Series 3 Refunding Bonds to refund all or a portion of its outstanding 2014 Series 3 Bonds and 2014 Series 4 Refunding Bonds. If issued, the 2024 Series 3 Refunding Bonds would be offered under a different Official Statement.

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.

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\$48,480,000
Vermont Bond Bank
2024 Series 2 Bonds

INTRODUCTORY STATEMENT

This Official Statement is provided for the purpose of setting forth information concerning the Vermont Bond Bank (the “Bond Bank”) in connection with the sale of the 2024 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 Bond Bank’s General Bond Resolution adopted on May 3, 1988 (the “General Resolution”) and the Series Resolution authorizing the issuance of the 2024 Series 2 Bonds adopted on June 27, 2024 (the “Series Resolution” 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.

On June 19, 2023, the Act was amended to change the legal name of the Bond Bank to the Vermont Bond Bank, which had previously been named the Vermont Municipal Bond Bank. The amendments also modified certain of the Bond Bank’s powers. See “VERMONT BOND BANK” herein.

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 or financing arrangements of the Governmental Units payable solely from revenues derived from the financed asset, enterprise funds, or other specified revenues and the earnings thereon (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 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 \$48,715,098 of General Obligation 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. Table 3 of Appendix B includes certain other demographic information about the outstanding Municipal Bonds by county in the State.

The Bonds. The Bonds are being issued: (i) to make loans to Governmental Units through the purchase of Municipal Bonds, (ii) to fund interest on a portion of the Bonds, (iii) to make a deposit into the Reserve Fund held by the Trustee under the General Resolution, and (iv) to pay the costs of issuance of the Bonds.

Subject to market conditions, the Bond Bank may issue its 2024 Series 3 Refunding Bonds (the “Refunding Bonds”) on or around September 5, 2024 to refund all or a portion of the Bond Bank’s

outstanding 2014 Series 3 Bonds and 2014 Series 4 Refunding Bonds. The Refunding Bonds would be offered with a different Official Statement.

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 \$2,526,062,000 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 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. The Act has been amended from time to time, including on June 19, 2023. The June 2023 amendments provide, in part, for expansion of the powers of the Bond Bank to make financing arrangements to fund a Governmental Unit's projects, the purchase of revenue bonds that are not limited solely to utilities, and changing the legal name of the Bond Bank to the Vermont Bond Bank from the Vermont Municipal Bond Bank, to be consistent with the Bond Bank's d/b/a name. The descriptions of the powers of the Bond Bank and other provision of the Act described herein reflect the Act, as amended.

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, 2026.

Ms. Winters is a resident of Swanton, Vermont and an owner of Firetech Sprinkler Corp. 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, 2025.

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.

JOHN F. MCSOLEY; term expires January 31, 2025.

Mr. McSoley is a resident of Essex Junction, Vermont and a retired partner at McSoley McCoy & Co., a South Burlington, Vermont, full-service tax, accounting, and business consulting firm. He is also a current board member of the Vermont Student Assistance Corporation, where he serves on the audit committee, and the Howard Center.

MARK FOLEY, JR.; term expires January 31, 2026.

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.

MICHAEL S. PIECIAK; *Ex-Officio*.

Mr. Pieciak previously served six years as the commissioner of the Vermont Department of Financial Regulation (DFR) where he was first appointed by Governor Peter Shumlin in 2016 and reappointed by Governor Phil Scott in 2017.

Mr. Pieciak also served as deputy commissioner of DFR's Securities Division, where he led the division's investigation into the Jay Peak EB-5 projects. While at DFR, Mr. Pieciak served as the president of the North American Securities Administrators Association, a member of the SEC Advisory Committee on Small and Emerging Companies and member of the National Association of Insurance Commissioners.

Prior to his public service, Mr. Pieciak practiced law in New York City at Skadden, Arps, Slate, Meagher and Flom LLP in the Mergers and Acquisitions Group, gaining experience in commercial transactions, corporate governance and investment and financing transactions. Mr. Pieciak also previously practiced at Downs Rachlin Martin in Burlington in the Business Law Group.

Mr. Pieciak grew up in Brattleboro and graduated cum laude from Union College with a degree in political science. He received his law degree summa cum laude from the University of Miami School of Law where he served as editor-in-chief of the *Miami Law Review*. Mr. Pieciak currently resides in Winooski, Vermont.

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 for the National Development Council (NDC)—a national community development finance nonprofit and PNC where he served as a public finance banker focused on governmental, housing, and community facilities transactions.

He is on the Executive Committee of the City of Burlington's Planning Commission, board member of the New England States Government Finance Officers Association, and an advisor to the national Government Finance Officer Association's Committee on Economic Development and Capital Planning. He earned a Bachelor of Arts degree from Middlebury College and a Master of City Planning degree from the University of Pennsylvania.

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.

Application Review and Monitoring

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 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 four issues remained outstanding as of February 1, 2024, in the aggregate principal amount of \$8,497,810.

Following approval and purchase of the Municipal Bonds staff undertakes full monitoring of the portfolio of loans. The Bond Bank requests annually financial statements of Governmental Units. Bond Bank staff reviews relevant information and prepares portfolio level summaries annually. Consistent with the Bond Bank's Governmental Unit Monitoring Policy, such review for certain Governmental Units is more detailed.

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 loan to Governmental Units through the 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;

(10) To issue bonds, other forms of indebtedness, or other financing obligations or arrangements for projects relating to renewable energy, energy efficiency, climate adaptation, and projects that otherwise result in the reduction of greenhouse gas emissions; and

(11) 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.

Other Financing Programs and Indebtedness

The Bond Bank has issued two series of bonds (“VSCS Program Bonds”) pursuant to its General Bond Resolution for Vermont State Colleges System adopted March 30, 2017 (the “VSCS Program Bond Resolution”). As of July 1, 2024, the VSCS Program Bonds are outstanding in the principal amount of \$83,450,000. 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 VSCS Program Bond Resolution are pledged to secure the VSCS Program Bonds.

The Rural Utilities Service of the United State Department of Agriculture approved a loan commitment for the Bond Bank in the amount of \$40 million (The “USDA Loan”) in August 2023. The interest free loan will be used by the Bond Bank to make low interest loans to Governmental Units to implement durable cost-effective energy efficiency measures and to fund program expenses. The Bond Bank expects to adopt a resolution separate from the General Resolution to secure the USDA Loan and a liquidity facility from a bank to secure the USDA Loan. The USDA Loan will be payable from different funds and assets than, and not on parity with General Resolution Bonds, including the Bonds.

On March 14, 2024, the State signed a loan agreement with the Bond Bank providing a loan (the “State Loan”) in the amount of \$15 million pursuant to the State’s “10% in Vermont” program to provide low interest loans to promote economic development. The Bond Bank used the proceeds of the State Loan to make loans to Governmental Units to fund projects to mitigate the damage from the Summer 2023 flooding. The loan payments from such Governmental Units will be used to repay the State Loan. The State Loan is payable from different funds and assets than, and is 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 received in connection with the State Loan will be pledged to secure the State Loan.

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, 2024. The Bonds initially will be issued as one fully registered bond for each maturity in the aggregate principal amount for such maturity 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”).

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 (defined below) 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 the Bonds, each in the aggregate principal amount of such maturity, 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 (each a "Beneficial Owner" and together the "Beneficial Owners") 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 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 Money Market Instrument 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-ONLY 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 on and after December 1, 2032 are subject to redemption at the option of the Bond Bank, at any time on and after October 1, 2032, in 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 Bonds maturing December 1, 2049 and December 1, 2054 will be subject to redemption prior to maturity on each December 1, 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:

Bonds maturing December 1, 2049		Bonds maturing December 1, 2054	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2045	\$140,000	2050	\$140,000
2046	140,000	2051	145,000
2047	185,000	2052	145,000
2048	115,000	2053	120,000
2049	145,000	2054	665,000

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 maturity of any other authorized denominations.

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.

▪ **PROJECTS FINANCED BY THE BONDS**

The Bonds are being issued to make loans to the municipalities in the aggregate amount of \$48,715,098. The loan amounts, the terms of the loans, a description of each of the projects financed or expected to be financed from such loans, the environmental and social benefits of the projects, and the locations of such projects are as follows:

Governmental Unit	Loan Amount	Term (Years)	Zip Code	Environmental Benefits			Social Benefits				Project Description
				Water/ Sanitation	Stormwater/ Storm Event	Clean Energy / Energy Efficiency	Education	Public Spaces	<80% AMI ⁺	80-100% AMI ⁺	
Town of Calais	\$ 335,000	15	05650								Road grader purchase
Champlain Valley School District	3,500,000	20	05482								Capital improvements at three schools
Town of Chester (paving and construction)	215,000	5	05143							X	Road construction, paving, and bridge construction
Town of Chester (ambulance)	380,000	7	05143							X	Ambulance purchase
Town of Chester (dump truck and chipper)	350,000	10	05143							X	Dump truck and chipper purchase
Town of Coventry School District	3,200,000	30	05825				X			X	Addition and renovation of school
Town of Hartford	1,300,000	20	05001							X	Fire Station No. 2 renovation
Town of Hartford School District	20,817,875	20	05001			X	X			X	Major renovations at multiple school buildings addressing life safety, infrastructure, storm water, HVAC, building envelopes, and roofs
Town of Rochester	359,243	30	05767							X	Town share of bridge replacement costs
City of Rutland	750,000	30	05701		X						Installation of a precast concrete box culvert on Grove Street at Tenney Brook
South Burlington School District	5,550,000	20	05403				X				Capital improvement projects at all five schools in district
City of St. Albans	11,400,000	20	05478					X	X		Bellevue redevelopment, Federal St. multimodal connector, and courthouse redevelopment project
Town of Vershire	557,980	15	05079								Town garage

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

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.

Sources of Funds:	
Principal amount	\$48,480,000
Net Original Issue Premium	<u>3,926,560</u>
TOTAL SOURCES	<u>\$52,406,560</u>
Uses of Funds:	
Loans to Governmental Units	\$48,715,098
Deposit to the Reserve Fund	3,034,701
To pay interest on a portion of the Bonds	215,000
Costs of Issuance (including Underwriters' Discount)	<u>441,761</u>
TOTAL USES	<u>\$52,406,560</u>

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.

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 (66 $\frac{2}{3}$ %) 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 Resolution 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 (66 $\frac{2}{3}$ %) 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, approximately 33.059% 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.

OUTSTANDING GENERAL RESOLUTION BONDS

Pursuant to the General Resolution, the Bond Bank has heretofore issued other General Resolution 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 General Resolution Bonds are as follows:

Series	Outstanding as of July 1, 2024
2008 Series 2 (Federally Taxable)	\$ 4,720,000
2010 Series 2 (RZEDB)	2,750,000
2010 Series 3 (QSCB)	1,365,000
2010 Series 5 (RZEDB)	11,040,000
2011 Series 1 (QSCB)	9,500,000
2011 Series 3 (QSCB)	2,940,000
2012 Series 2 (QSCB)	8,855,000
2012 Series 4	365,000
2014 Series 3*	27,475,000
2014 Series 4 Refunding*	6,050,000
2015 Series 1 Refunding	11,280,000
2015 Series 2	5,695,000
2015 Series 3 Refunding	220,000
2015 Series 5 Refunding	31,530,000
2016 Series 1	28,735,000
2016 Series 2 Refunding	42,430,000
2017 Series 1	25,865,000
2017 Series 2	4,120,000
2017 Series 3	21,370,000
2017 Series 4	26,845,000
2018 Series 1	6,650,000
2018 Series 2	26,295,000
2019 Series 1	21,905,000
2019 Series 2	26,195,000
2020 Series 1	20,395,000
2020 Series 2	15,060,000
2021 Series 1	27,965,000
2021 Series 3	16,115,000
2021 Series 4 Refunding	1,230,000
2022 Series 1	7,501,000
2022 Series 2	22,255,000
2022 Series 3 Refunding	21,705,000
2023 Series 1	14,490,000
2023 Series 2	26,370,000
2023 Series 3 Refunding	19,195,000
2024 Series 1	66,015,000
Total	\$612,491,000

*Subject to market conditions, the Bond Bank may issue its 2024 Series 3 Refunding Bonds on or around September 5, 2024 to refund all or a portion of the Bond Bank's outstanding 2014 Series 3 Bonds and 2014 Series 4 Refunding Bonds. The Refunding Bonds would be offered under a different Official Statement.

CERTAIN INVESTMENT CONSIDERATIONS

School Consolidation and Facilities Assessment

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 Bonds” reflect the consolidated school districts as of July 1, 2021.

On February 1, 2024, the School Construction Aid Taskforce Report was released following the requirements of Act 78 of 2023. The report followed a statewide facility needs assessment that identified an estimated \$6.35 billion in total facilities needs over the next 20 years. The report also recommends the creation of a new school facilities state aid program. Act 149 of 2024 creates the State Aid for School Construction Working Group to study and design a recommended plan for a statewide school construction aid program. For a copy of the needs assessment, see <https://education.vermont.gov/sites/aoe/files/documents/edu-legislative-report-school-construction-aid-taskforce-2024.pdf>.

Climate Resiliency and Environmental Risk

On July 10 and 11, 2024, the State experienced flooding from the remnants of Hurricane Beryl, resulting in a declaration of a state of emergency from the Governor. The State is pursuing steps that would allow a federal major disaster declaration. The Federal Emergency Management Agency (“FEMA”) lists four major disaster declaration within the State of Vermont from July 1, 2023 through July 17, 2024. The events preceding these declarations had and will have varying degrees of impact with unknown fiscal and economic consequences to Governmental Units.

The State faces other potential impacts from the effects of climate change. In 2021, the University of Vermont published its second Vermont Climate Assessment (the “Assessment”) (available at <https://site.uvm.edu/vtclimateassessment/>). The Assessment concludes that the State is becoming warmer and wetter, resulting 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 Governmental Units.

The State is responding to the risks associated with climate change through multiple policy initiatives. In September 2020, the Vermont legislature passed the Global Warming Solutions Act (Act 153

of 2020) (the “GWSA”). The GWSA creates a planning process and framework to ensure stepped, strategic action on climate change, with a goal of achieving net zero emissions of greenhouse gases by 2050. The GWSA establishes the Vermont Climate Council (the “Climate Council”), which is charged with identifying, analyzing and evaluating strategies and programs to reduce greenhouse gas emissions, achieve the State’s reduction requirements set forth in the GWSA, and build resilience to prepare the State’s communities, infrastructure and economy to adapt to the current and anticipated effects of climate change. On December 1, 2021, the Climate Council adopted the Vermont Climate Action Plan (“CAP”), which is required to be updated every four years thereafter (available at <https://climatechange.vermont.gov/readtheplan>).

The CAP establishes a path for the state to meet the 2050 zero emissions goals. In addition, a chapter of the CAP, entitled Pathways for Adaptation and Building Resilience in Communities and the Built Environment, includes action items to advance this overarching goal. Following a recommendation in the CAP, in 2022, a Climate Action Office (“CAO”) was established at the Agency of Natural Resources with the charge of coordinating and providing expertise and capacity on State-led climate initiatives, as well as the monitoring, assessment and tracking of climate adaptation, mitigation, and resilience activities necessary to evaluate progress over time in achieving the requirements of the GWSA through implementation of the CAP. To further advance coordination of climate action across State agencies, an Inter-Agency Advisory Board meets regularly to advise on the work of the CAO and promote proactive coordination on climate action across State government.

In addition to implementation of the CAP, several State incentives exist to encourage local governments with hazard mitigation planning and implementation through the Emergency Relief and Assistance Fund that provides State funding to match Federal Public Assistance following federally-declared disasters. Increased local assistance will be provided by the State if, among other actions, local governments adopt a Local Hazard Mitigation Plan, adopt post-Tropical Storm Irene road and bridge standards, and protect river corridors from new encroachments.

The State is further required to complete the State Hazard Mitigation Plan (“SHMP”) that identifies natural hazards that affect Vermont, assesses risk and vulnerability to these hazards, and identifies top priority mitigation actions at the State level to remove vulnerability and create a more resilient Vermont. The SHMP must be updated and submitted by Vermont Emergency Management (“VEM”) to FEMA for approval every five years with the current plan effective until November 2028. More information on the updated SHMP is available online: <https://vem.vermont.gov/plans/SHMP>.

In 2021, the Vermont legislature passed Act 74, which established the Flood Resilient Communities Fund with the intent of improving landscape and community resilience and reducing the future public safety and water quality impacts of climate-related flood hazards in Vermont, focusing on buyouts of flood-vulnerable properties. This is a voluntary program that prioritizes projects in communities and/or for homeowners with greatest economic need and projects that mitigate repetitive loss among low-income and marginalized portions of the population.

In 2024, Act amends and creates new regulation related to river corridors, flood hazard areas, wetlands, and dams. A summary of the law is available online: <https://legislature.vermont.gov/Documents/2024/Docs/ACTS/ACT121/ACT121%20Act%20Summary.pdf>. Additional legislation was also passed that may contribute to the ability of Governmental Units to respond to acute and chronic environmental risks exist throughout the State. The Bond Bank cannot predict the efficacy of these programs and 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, provide back-up services and advise with respect to, and implement all of 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 in an effort to mitigate the impact of any such attack on the operations or finances of the Bond Bank. The Bond Bank maintains a cyber insurance policy to limit potential damages.

Borrower payments and borrower requisitions are managed by a third-party disbursing agent, who currently also serves as Trustee.

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 is not a specific preference item for purposes of computation of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from computation of the federal corporate alternative minimum tax. 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 Governmental Unit.

CONTINUING DISCLOSURE

In order to assist the original purchasers of the Bonds 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 of municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds. The financial advisor has not been engaged, nor has it undertaken, to make an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained herein.

FINANCIAL STATEMENTS

The financial statements of the Bond Bank for the fiscal year ended December 31, 2023 have been examined by CliftonLarsonAllen LLP independent public accountants, as indicated in their report with respect thereto, and are included in Appendix D. CliftonLarsonAllen LLP has not been engaged to perform and has not performed, since the date of its report referenced therein, any procedures on the financial statements addressed in that report. They also have not performed any procedures relating to this Official Statement.

COMPETITIVE SALE OF THE BONDS

After competitive, electronic bidding on August 1, 2024, the Bonds were awarded by the Bond Bank to BofA Securities, Inc. (the “Underwriter”). The Underwriter has supplied the information as to public reoffering yield of the Bonds set forth on the inside cover hereof. If all of the Bonds were resold to the public at such yields, the Underwriter has informed the Bond Bank that the Underwriter’s total compensation is expected to be approximately \$268,311.25. The Underwriter may change the public offering yields from time to time.

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.

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.

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

The Supplemental Resolution adopted February 1, 2024 establishes the Sufficiency Account within the Revenue Fund, to be held by the Trustee and applied as directed by the Bank.

Reserve Fund

The 2024 Series 1 Resolution establishes a Rebate Fund for the 2024 Series 1 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.

“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 calculated by the Bank and obtained by dividing the total premium or discount at which such Investment Obligation was purchased by the number of days remaining to maturity on such Investment Obligation 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 Obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an Investment Obligation purchased at a discount by adding the product thus obtained to the purchased price.

“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.

“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.

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 direction of the Bank, 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 Bond 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.

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APPENDIX B

TABLE 1

The proceeds of the 2024 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>
Calais Town	\$335,000
Champlain Valley School District	3,500,000
Chester Town	945,000
Coventry Town School District	3,200,000
Hartford Town	1,300,000
Hartford Town School District	20,817,875
Rochester Town	359,243
Rutland City	750,000
South Burlington City School District	5,550,000
St. Albans City	11,400,000
Vershire Town	557,980
	<hr/>
Total	\$48,715,098

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 2024 Series 2 Bonds and other available funds; (2) the anticipated outstanding balances of such Municipal Bonds as of the date of issuance of the 2024 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	\$ 757,500	0.118%
Addison Northwest School District	8,651,333	1.353
Albany Town	150,000	0.023
Barre City	12,800,887	2.002
Barre Town	417,455	0.065
Barre Unified Union School District	2,383,329	0.373
Barton Village	1,523,256	0.238
Barton Village (R)	785,000	0.123
Bellows Falls Union High School District	2,000,000	0.313
Bennington Town	3,200,349	0.501
Berlin Town	15,000	0.002
Bethel Town	75,000	0.012
Bradford Town	262,553	0.041
Brandon Fire District #1	1,020,000	0.160
Brandon Town	1,485,415	0.232
Brattleboro Town	16,701,667	2.613
Bridgewater Town	1,675,862	0.262
Bristol Town	788,638	0.123
Brookline Town	70,000	0.011
Burlington City	4,630,000	0.724
Burlington City (R)	7,322,810	1.146
Cabot Town	275,129	0.043
Cabot Town School District	40,000	0.006
Calais Town	795,000	0.124
Cambridge Town School District	610,000	0.095
Canaan School District	850,000	0.133
Castleton Fire District #3	1,228,918	0.192
Castleton Town	825,000	0.129
Champlain Valley School District	37,253,087	5.828
Champlain Water District	5,434,563	0.850

APPENDIX B

TABLE 2

Charlotte Town	\$ 2,602,500	0.407%
Chelsea Town	1,035,007	0.162
Chester Town	7,345,085	1.149
Chittenden County	90,000	0.014
Chittenden Solid Waste District	10,000,000	1.564
Chittenden Town	90,000	0.014
Colchester Fire District #1	633,333	0.099
Colchester Fire District #2	381,147	0.060
Colchester Town	1,275,000	0.199
Colchester Town School District	2,941,176	0.460
Cold Brook Fire District #1	825,000	0.129
Corinth Town	680,000	0.106
Coventry Town School District	3,200,000	0.501
Danby-Mt. Tabor Fire District #1	354,048	0.055
Danville Fire District #1	655,943	0.103
Derby Center Village	553,219	0.087
Derby Line Village	220,000	0.034
Derby Town	120,000	0.019
Dorset Town	3,600,000	0.563
Dummerston Town	840,000	0.131
Duxbury Town	225,000	0.035
East Calais Fire District #1	77,858	0.012
East Montpelier Town	735,000	0.115
Edward Farrar Utility District	2,776,185	0.434
Elmore Town	2,242,000	0.351
Enosburg Falls Village	2,633,075	0.412
Enosburg Falls Village (R)	270,000	0.042
Enosburgh-Richford Unified Union School District	10,000	0.002
Essex Junction Village	5,717,657	0.894
Essex Town	3,450,000	0.540
Essex Westford Educational Community Unified Union School District	1,840,000	0.288
Fairfax Town	1,263,218	0.198
Fairfax Town School District	36,415,580	5.697
Georgia Town	490,000	0.077
Georgia Town School District	1,840,000	0.288
Grand Isle Consolidated Water Dist	1,000,170	0.156
Grand Isle Town	2,307,738	0.361
Greater Upper Valley Solid Waste Management District	500,000	0.078
Green Mountain Unified School District	597,200	0.093
Hardwick Town	1,803,329	0.282
Hartford Town	16,940,871	2.650
Hartford Town School District	31,356,725	4.905
Hartland Town	1,008,900	0.158
Harwood Unified Union School District	2,885,000	0.451
Hinesburg Town	3,518,259	0.550
Hubbardton Town	80,000	0.013

APPENDIX B

TABLE 2

Huntington Town	\$ 352,900	0.055%
Jamaica Town	487,500	0.076
Jericho Town	300,000	0.047
Jericho Underhill Water District	295,000	0.046
Johnson Village	837,529	0.131
Killington Town	8,092,682	1.266
Lamoille North School District	12,967,819	2.029
Lamoille South Unified Union School District	660,000	0.103
Lincoln Town	383,500	0.060
Ludlow Town	885,330	0.138
Ludlow Mt Holly Unified Union School District	40,000	0.006
Lyndon Town	408,434	0.064
Lyndonville Village	1,098,665	0.172
Manchester Town	8,597,950	1.345
Maple Run Unified School District	6,227,489	0.974
Marshfield Village	166,866	0.026
Mendon Town	162,000	0.025
Middlebury Town	17,032,611	2.664
Middlesex Town	240,000	0.038
Mill River Unified Union School District	4,636,500	0.725
Milton Town	1,167,333	0.183
Milton Town School District	2,327,750	0.364
Missisquoi Valley School District	4,147,000	0.649
Monkton Town	1,445,000	0.226
Montgomery Town	150,000	0.023
Montpelier City	14,947,210	2.338
Montpelier Fire District	65,000	0.010
Montpelier Roxbury School District	6,304,790	0.986
Moretown Town	270,000	0.042
Morrisville Village	960,000	0.150
Morrisville Village (R)	120,000	0.019
Mount Ascutney School District	40,000	0.006
Mount Mansfield Unified Union School District	2,821,569	0.441
Mt Abraham Unified School District	650,615	0.102
Mt. Anthony Union High School District #14	115,000	0.018
New Haven Town	170,000	0.027
Newfane Town	112,500	0.018
Newport City	50,000	0.008
North Branch Fire District No. 1	1,170,000	0.183
North Country Union High School District No. 22	1,175,000	0.184
North Hero Town	520,000	0.081
Northern Mountain Valley Unified Union School District	3,868,750	0.605
Northfield Town	5,244,738	0.820
Norwich Town	1,128,000	0.176
NW Vermont Solid Waste Management District	1,200,000	0.188
Orange Southwest School District	20,000	0.003

APPENDIX B

TABLE 2

Orleans Southwest Union Elementary School District	\$ 344,250	0.054%
Orleans Village	572,672	0.090
Otter Valley Unified Union School District	2,277,000	0.356
Oxbow Unified Union School District	475,000	0.074
Paine Mountain School District	840,000	0.131
Patricia A. Hannaford Career Center	7,905,000	1.237
Peacham Fire District #1	164,977	0.026
Pittsfield Town	215,000	0.034
Pittsford Town	336,853	0.053
Plainfield Town	214,814	0.034
Plymouth Town	800,000	0.125
Poultney Village	690,000	0.108
Pownal Town	1,654,036	0.259
Putney Town	2,413,314	0.378
Quarry Valley Unified Union School Districts	910,000	0.142
Randolph Town	4,765,000	0.745
Readsboro Town	147,925	0.023
Richford Town	604,209	0.095
Richmond Town	735,000	0.115
Rivendell Interstate School District	720,000	0.113
Rochester Town	811,460	0.127
Rockingham Town	1,609,750	0.252
Rockingham Town School District	5,098,433	0.798
Royalton Fire District #1	155,873	0.024
Rutland City	14,217,758	2.224
Rutland Town	3,417,850	0.535
Rutland Town School District	444,500	0.070
Salisbury Town	680,000	0.106
Shaftsbury Town	800,000	0.125
Sharon Town	770,000	0.120
Shelburne Town	5,990,000	0.937
Shoreham Town	136,842	0.021
Shrewsbury Town	80,000	0.013
Slate Valley Unified Union School District	235,000	0.037
South Burlington City	44,418,925	6.949
South Burlington City School District	19,412,875	3.037
South Hero Fire District #4	10,000	0.002
South Hero Town	520,000	0.081
Southwest Vermont Union Elementary School District	2,676,600	0.419
Springfield Town	2,090,000	0.327
Springfield Town School District	7,680,000	1.201
St. Albans City	38,067,579	5.955
St. Albans Town	70,000	0.011
St. Johnsbury Town	720,000	0.113
St. Johnsbury Town School District	2,550,000	0.399
Stowe Town	16,570,733	2.592

APPENDIX B

TABLE 2

Strafford Town	\$ 130,000	0.020%
Sunderland Town	175,500	0.027
Swanton Village	3,323,388	0.520
Taconic & Green Regional School District	505,000	0.079
Thetford Town	3,466,666	0.542
Thetford Town School District	232,000	0.036
Tinmouth Town	305,550	0.048
Townshend Town	220,000	0.034
Tri Town Water District #1	750,000	0.117
Twin Valley Unified Union School District	3,056,997	0.478
Vergennes City	455,000	0.071
Vershire Town	557,980	0.087
Waitsfield Town	508,500	0.080
Wallingford Fire District #1	465,616	0.073
Warren Town	284,556	0.045
Waterbury Town	3,040,000	0.476
Weathersfield Town School District	1,130,000	0.177
West River Modified Union Education District	740,000	0.116
West Rutland Town	2,576,281	0.403
White River Valley Unified School District	955,000	0.149
Williamstown Town	1,615,600	0.253
Williston Town	5,990,796	0.937
Wilmington Town	4,950,000	0.774
Wilmington Water District	518,777	0.081
Windham Northeast Union Elementary School District	190,000	0.030
Windham Southeast School District	618,000	0.097
Windsor Central Modified Union School District	200,000	0.031
Windsor Town	6,965,232	1.090
Winooski City	7,171,209	1.122
Woodstock Town	4,410,000	0.690
Worcester Town	203,333	0.032

<u>TOTAL</u>	\$ 639,246,212	100.000%
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(R) = Revenue Bond

Outstanding Municipal Bonds by County and Population

Vermont County	2020 Population	% Total State Population	Total Outstanding Municipal Bonds	% of Total Municipal Bonds	Municipal Bonds/Person
Addison	37,363	5.81%	\$39,806,039	6.23%	\$1,065
Bennington	37,347	5.81%	\$21,472,360	3.36%	\$575
Caledonia	30,233	4.70%	\$7,745,598	1.21%	\$256
Chittenden	168,323	26.17%	\$178,162,889	27.87%	\$1,058
Essex	5,920	0.92%	\$850,000	0.13%	\$144
Franklin	49,946	7.77%	\$100,580,287	15.73%	\$2,014
Grand Isle	7,293	1.13%	\$4,357,908	0.68%	\$598
Lamoille	25,945	4.03%	\$34,968,082	5.47%	\$1,348
Orange	29,277	4.55%	\$14,799,810	2.32%	\$506
Orleans	27,393	4.26%	\$8,349,146	1.31%	\$305
Rutland	60,572	9.42%	\$44,055,971	6.89%	\$727
Washington	59,807	9.30%	\$54,915,671	8.59%	\$918
Windham	45,905	7.14%	\$41,621,938	6.51%	\$907
Windsor	57,753	8.98%	\$87,560,538	13.70%	\$1,516
Total	643,077	100.00%	\$639,246,237	100.00%	\$994

Source: Vermont Bond Bank and U.S. Census Bureau, 2020 Census of Population and Housing, updated every 10 years

[Note] Municipal Bonds defined as municipal bonds issued by Governmental Units and purchased by the Bond Bank under the 1988 General Resolution

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APPENDIX C

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



[Closing Date]

Vermont Bond Bank
100 Bank Street, Suite 401
Burlington, Vermont 05401

Re: Vermont Bond Bank 2024 Series 2 Bonds (the “Bonds”)

We have acted as bond counsel to 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 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, 2024 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 \$5,000 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 federal individual alternative minimum tax; however, we observe that interest on the Bonds included in the “adjusted financial statement income” of certain corporations is not excluded from computation of the federal corporate 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.

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**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)**

**FINANCIAL STATEMENTS AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

YEAR ENDED DECEMBER 31, 2023



**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vermont Bond Bank
Burlington, Vermont

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Bond Bank, a component unit of the state of Vermont, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Vermont Bond Bank's basic financial statements as listed in the table of contents.

In our opinion, the 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 Bond Bank as of December 31, 2023, 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; and for 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.

Auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Required Supplementary Information

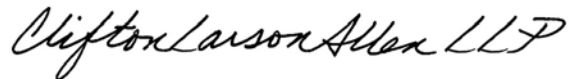
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is 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.

Board of Directors
Vermont Bond Bank

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 March 28, 2024 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 Vermont Bond Bank's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Andover, Massachusetts
March 28, 2024

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

This section of the Vermont Bond Bank's Annual Financial Statements presents readers of these financial statements a narrative, overview, and analysis of the financial activities of the Vermont Bond Bank for the fiscal year ending December 31, 2023. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements as a whole.

Overview of the Organization

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 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, 2023, the Vermont Bond Bank (Bond Bank) has issued over \$2.8 billion in tax-exempt and taxable bonds through 102 series of bonds for municipalities, including 35 refunding bonds, and two 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 ending December 31, 2023. The statements are divided into three 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. The Special Obligation Fund reports the financial activities of the funds loaned to the Vermont State College System under the 2017 General Vermont State College System Resolution.

For financial statement reporting purposes, the Bond Bank is considered a component unit of the State of Vermont. However, the Bond Bank does not receive any State appropriations for its operations, staff are employees of the Bond Bank, and contracts are held by the Bond Bank.

The Bond Bank provides services to the State of Vermont and Vermont Educational and Health Buildings Financing Agency (VEHBFA) through formalized Memorandums of Agreements (MOAs).

The Bond Bank is the financial administrator for the State of Vermont Clean Water and Drinking Water Act Revolving Loan Funds. The State of Vermont Department of Environmental Conservation approves qualified projects. The Bond Bank receives quarterly payments for management services for underwriting and loan origination. The State of Vermont Department of Environmental Conservation completes separate financial statements as a component unit of the State of Vermont.

The Bond Bank administers VEHBFA, a tax-exempt conduit debt issuer. The Bond Bank charges a management fee for the administrative and overhead charges of the program. Separate financial statements are completed for VEHBFA as a component unit of the State of Vermont.

As the result of the Bond Bank issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of tax-exempt bonds outstanding and remit payment to the Internal Revenue Service every five years. The Bond Bank contracts with an arbitrage consultant to maintain and prepare all rebate calculations that will be filed with the Internal Revenue Service. Additionally, for financial reporting purposes, the consultants prepare a liability rebate calculation annually for each outstanding series of bonds.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

As of December 31, 2023, within the Bond Fund, the Bond Bank had 482 loans outstanding to 191 governmental units totaling \$522,877,216. As of December 31, 2022, the Bond Bank had 488 loans outstanding to 190 governmental units totaling \$532,139,976.

Outstanding Loans by Debt Type as of December 31, 2023	Summary			
	Loans	Percent Total	Amount	Percent Total
General Obligation Bonds	478	99%	\$ 514,389,406	98%
Revenue Bonds	4	1%	8,497,810	2%
Total	<u>482</u>	<u>100%</u>	<u>\$ 522,887,216</u>	<u>100%</u>

Outstanding Loans by Borrower Type as of December 31, 2023	Summary			
	Loans	Percent Total	Amount	Percent Total
Local Government	324	68%	\$ 328,554,240	63%
School District	127	26%	168,388,140	32%
Other Governmental Unit	31	6%	25,944,836	5%
Total	<u>482</u>	<u>100%</u>	<u>\$ 522,887,216</u>	<u>100%</u>

Management Overview

The most significant events for the Bond Bank over the course of 2023 were the flooding and rain events that occurred over the summer of 2023. These resulted in two Presidential major disaster declarations and material impacts on the economic position of impacted municipalities. Fortunately, this occurred against a backdrop of municipal fiscal health. The Bond Bank annually creates financial medians for its portfolio and 2023 represented the highest Vermont municipal general fund balances and lowest debt burden of any year since 2020.

The ability of Vermont and its municipalities to withstand the impacts of the disaster related events was also observed by Standard & Poor's in its bulletin, "Vermont Flood and Storm Damage Unlikely to Have Negative Credit Implications," that was issued on July 17, 2023. The Bond Bank, State of Vermont, and other issues were highlighted in the bulletin with a statement that no imminent risk of credit deterioration was expected.

As described in the subsequent events to this audit, the Bond Bank has worked closely with the State of Vermont to develop programs to further assist in municipal flood recovery.

Additional highlights are summarized below.

- The Bond Bank's financial position is significantly influenced by changes in market conditions. This stems from a dependence on the unrestricted operating reserve—governed by the board through the General Operating Reserve Fund policy—to produce fixed income in support of operations. Financial performance is evaluated quarterly by the board of directors. Expenses are compared against either known or controllable sources of revenues, which includes coupon payments on the fixed income portfolio but not market gains and losses.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

- The Bond Bank was able to take advantage of market conditions to cash defease the 2015 Series 4 taxable bonds. These bonds were issued to capitalize future excess cash flow in the corpus of the bond fund. The bonds did not, however, include an optional redemption that precluded economic refunding's during the low-rate environment that occurred until 2022. However, the increase in rates over the last year allowed the Bond Bank to fund an escrow with government securities that was purchased at a price below outstanding par. The Bond Bank employed the same strategy for the 2021 Series 2 bonds. Cash to fund the escrows was identified from excess savings realized from downsizing debt service reserve funds, which is allowed under the terms of the 1988 Resolution.
- As described in the subsequent events section of the audit, the Bond Bank is developing several new lending programs from novel funding sources. This required significant strategic investments over the course of 2023 that will not result in revenue until 2024 and 2025.
- The unrestricted reserves are governed by an investment policy and managed by an investment advisor. The investment policy stipulates a strategy that balances income and capital preservation with portfolio level target ratings of AA and target duration of between 80 to 120 percent of the benchmark of approximately 4.52 years.
- The Bond Bank's loan activity does not support the operating fund. Activity through the Pooled Loan Program is the primary source of loan activity. These loans are capitalized by the issuance of municipal bonds and the Bond Bank's cost of capital is passed along to borrowers following modest adjustments to the loan rates to ensure cash flow sufficiency.
- Loan activity does, however, impact the financial position of the bond fund. Generally, more loan activity direct corresponds with an increase of assets and related increase in liabilities as bond financed debt provides the source of capitalization for loans. The Bond Bank is nearly 100 percent matched between assets and liabilities, which minimizes any risk stemming from depressed loan activity.
- Over the past year, total loans to municipalities reported in the Bond Fund decreased from approximately \$532 million to \$523 million, or 1.69%, resulting from more loan principal payments received than new loans originated. This decline is estimated to result from a multitude of interrelated factors including uncertain project costs and availability of construction professionals, uncertainty surrounding community priorities for American Rescue Plan Act dollars, timing of federal infrastructure dollars, and potential for state level legislative changes to school construction programs.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

2023 Issuance Activity

Issue	Type	Par	# Borrowers	# Projects	Refunded Net PV Savings
2023-1	New Money	\$ 14,490,000	4	5	\$ -
2023-2	New Money	26,370,000	10	14	-
2023-3	Refunding	20,010,000	-	-	1,481,964
		<u>\$ 60,870,000</u>	<u>14</u>	<u>19</u>	<u>\$ 1,481,964</u>

2022 Issuance Activity

Issue	Type	Par	# Borrowers	# Projects	Refunded Net PV Savings
2022-1	New Money	\$ 8,037,000	7	10	\$ -
2022-2	New Money	23,145,000	8	10	-
2022-3	Refunding	23,445,000	-	-	2,418,477
		<u>\$ 54,627,000</u>	<u>15</u>	<u>20</u>	<u>\$ 2,418,477</u>

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Bond Bank's financial statements, which is comprised of the Management's Discussion and Analysis, basic financial statements, and notes to the basic financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The notes to the basic financial statements are intended to provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Bond Bank's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Bond Bank's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net position increases when revenues exceed expenses.

The statement of revenues, expenses and changes in net position presents information showing how the Bond Bank's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023**

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, net position totaled \$30,551,605 as of December 31, 2023. Combined expenses exceeded revenues in the Bond Fund, Operating Fund, and Special Obligation Fund resulting in a net increase of \$3,413,420 or 12.58% over the previous fiscal year. The change in net position was driven by the increase in the fair market value of investments, combined with increased interest income from the loan portfolio.

Total Net Position as of December 31, 2023, equaled 4.53% of total Bonds Payable and Unrestricted Net Position equaled 2.68% of total Bonds Payable. Total Net Position as of December 31, 2022, equaled 3.90% of Total Bonds Payable and Unrestricted Net Position equaled 2.21% of Total Bonds Payable.

The following table summarizes the Net Position of the Bond Bank as of December 31, 2023 with comparative data from the prior fiscal year.

	<u>2023</u>	<u>2022</u>	<u>Percentage change</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Cash and cash equivalents	\$ 5,819,826	\$ 5,237,214	11.12%
Accrued interest receivable	2,730,831	2,767,857	-1.34%
Accounts receivable	94,029	219,297	-57.12%
Investments	23,425,796	22,486,873	4.18%
Prepaid Expenses	8,800	5,000	76.00%
Restricted cash	1,628,884	3,607,541	-54.85%
Restricted investments	57,250,617	60,530,636	-5.42%
Loans receivable (Note 5)	606,337,216	618,619,976	-1.99%
Capital assets, net	103,561	132,076	-21.59%
Deferred outflow on refunding of bonds payable	10,905,909	12,602,368	-13.46%
Total assets and deferred outflows of resources	<u>\$ 708,305,469</u>	<u>\$ 726,208,838</u>	<u>-2.47%</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Accounts payable	\$ 155,566	\$ 36,772	323.06%
Accrued arbitrage rebate	13,008	33,864	-61.59%
Bond interest payable	2,945,481	3,018,809	-2.43%
Bonds payable	674,626,181	695,962,132	-3.07%
Related to Lease (Note 11)	13,629	19,076	-28.55%
Total liabilities and deferred inflows of resources	<u>677,753,865</u>	<u>699,070,653</u>	<u>-3.05%</u>
NET POSITION:			
Net investment in capital assets	103,561	132,076	-21.59%
Restricted	12,395,798	11,613,397	6.74%
Unrestricted	18,052,246	15,392,712	17.28%
Total net position	<u>30,551,605</u>	<u>27,138,185</u>	<u>12.58%</u>
Total liabilities and net position	<u>\$ 708,305,469</u>	<u>\$ 726,208,838</u>	<u>-2.47%</u>

Total assets and deferred outflows of resources of \$708,305,469 represent a decrease of \$17,903,369 or 2.47% from 2023 to 2022. The Bond Bank's loans receivable decreased \$12,282,760 or 1.99%. This was due to the net decrease scheduled principal payments of \$53,127,895, which was partially offset by the new loans purchased through the 2023 Series 1 and 2023 Series 2 issuances.

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DECEMBER 31, 2023**

Restricted investments decreased \$3,280,009 or 5.42% driven by resizing of the debt service reserve funds associated with the 2015 Series 4 and 2021 Series 2 cash defeasance. Unrestricted investments increased \$938,923 or 4.18% due to market performance.

The deferred outflow on refunding of bonds payable decreased \$1,696,459 or 13.46%. This was driven by current year amortization.

Total liabilities and deferred inflows of resources decreased by \$21,316,788 or 3.05%, from 2022 to 2023. The Bond Bank's gross principal amount of bonds outstanding as of December 31, 2022, of \$629,926,000 represents a decrease of \$16,911,000 or 2.61% from the balance of \$646,837,000 as of December 31, 2022.

The decrease was the net result of the issuance of 2023 Series 1 and 2023 Series 2 of \$40,860,000 less combined scheduled debt service principal payments of \$40,571,000 and 2023 Series 3 refunded par savings of \$4,025,000.

The following table summarizes the combined Statement of Revenues, Expenses and Changes in Net Position of the Bond Bank as of December 31, 2023 with comparative data from the prior fiscal year.

	<u>2023</u>	<u>2022</u>	<u>Percentage change</u>
OPERATING REVENUES:			
Interest	\$ 22,736,983	\$ 23,144,003	-1.76%
Other income	339,839	293,818	15.66%
Total operating revenue	<u>23,076,822</u>	<u>23,437,821</u>	<u>-1.54%</u>
OPERATING EXPENSES:			
Bond issue costs	737,992	546,919	34.94%
Other expense	2,568,568	1,471,307	74.58%
Operating expenses	<u>891,282</u>	<u>757,046</u>	<u>17.73%</u>
Total operating expenses	<u>4,197,842</u>	<u>2,775,272</u>	<u>51.26%</u>
OPERATING INCOME	<u>18,878,980</u>	<u>20,662,549</u>	<u>-8.63%</u>
NONOPERATING REVENUE (EXPENSES):			
Net appreciation/(depreciation) in fair value of investments	106,982	(6,950,141)	-101.54%
Interest and dividends	4,070,239	3,031,245	34.28%
Interest rebate	1,389,549	1,423,417	-2.38%
Interest expense	(21,286,000)	(21,801,148)	-2.36%
Arbitrage Recovery (Rebate)	20,856	(1,865)	-1218.28%
Gain on Defeasance of Bonds	232,814	-	0.00%
Total nonoperating revenue (expenses)	<u>(15,465,560)</u>	<u>(24,298,492)</u>	<u>-36.35%</u>
CHANGE IN NET POSITION	<u>3,413,420</u>	<u>(3,635,943)</u>	<u>-193.88%</u>
Net position - beginning of year, as restated	<u>27,138,185</u>	<u>30,774,128</u>	<u>-11.81%</u>
NET POSITION - END OF YEAR	<u>\$ 30,551,605</u>	<u>\$ 27,138,185</u>	<u>12.58%</u>

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Operating revenues decreased by \$360,999 or 1.54% from 2022 driven by less interest received for the loan portfolio due to the shrinking size of the loan portfolio caused by more outstanding loans maturing than were replaced by new loans.

Operating expenses increased \$1,422,570 or 51.26% from 2022 driven by increased allocated savings on refunded bonds combined with increased operating expenses due to a strategic investment for new lending programs to be established in 2024.

Net nonoperating revenues and expenses increased \$8,832,932 or 36.35% from 2022. This increase is due to slight unrealized gains on investments in 2023 compared to substantial unrealized losses in 2022, increase interest on investments, and lower bond interest expenses due to the shrinking size of the bond portfolio caused by more outstanding bonds amortizing than were replaced by new bond issuance.

The Bond Bank's unrestricted investment portfolio consists of highly rated corporate and US Government bonds. As a result, the change in market condition over the course of the year impact the fair value of the portfolio. From December 30, 2022, to December 30, 2023, the 10-year U.S. Treasury Note rate decreased from 3.88% to 3.69%.

Contact for Further Information

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

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,511,884	\$ -	\$ 1,307,942	\$ 5,819,826
Accrued Interest Receivable	1,650,175	930,113	150,543	2,730,831
Accounts Receivable	-	-	94,029	94,029
Current Portion of Loans Receivable (Note 5)	48,641,483	4,445,000	-	53,086,483
Investments	-	-	23,425,796	23,425,796
Prepaid Expenses	-	-	8,800	8,800
Total Current Assets	<u>54,803,542</u>	<u>5,375,113</u>	<u>24,987,110</u>	<u>85,165,765</u>
Noncurrent Assets:				
Restricted Cash	1,597,606	31,278	-	1,628,884
Restricted Investments	57,250,617	-	-	57,250,617
Loans Receivable (Note 5)	474,245,733	79,005,000	-	553,250,733
Capital Assets, Net	-	-	103,561	103,561
Total Noncurrent Assets	<u>533,093,956</u>	<u>79,036,278</u>	<u>103,561</u>	<u>612,233,795</u>
Total Assets	587,897,498	84,411,391	25,090,671	697,399,560
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow on Refunding of Bonds Payable	<u>10,905,909</u>	<u>-</u>	<u>-</u>	<u>10,905,909</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 598,803,407</u>	<u>\$ 84,411,391</u>	<u>\$ 25,090,671</u>	<u>\$ 708,305,469</u>

See accompanying Notes to Financial Statements.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2023

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 248	\$ -	\$ 155,318	\$ 155,566
Bond Interest Payable	2,015,368	930,113	-	2,945,481
Current Portion Of Bonds Payable	48,917,580	5,601,991	-	54,519,571
Total Current Liabilities	<u>50,933,196</u>	<u>6,532,104</u>	<u>155,318</u>	<u>57,620,618</u>
Noncurrent Liabilities:				
Accrued Arbitrage Rebate	13,008	-	-	13,008
Bonds Payable	535,461,405	84,645,205	-	620,106,610
Total Noncurrent Liabilities	<u>535,474,413</u>	<u>84,645,205</u>	<u>-</u>	<u>620,119,618</u>
Total Liabilities	586,407,609	91,177,309	155,318	677,740,236
DEFERRED INFLOWS OF RESOURCES				
Related to Lease (Note 11)	-	-	13,629	13,629
NET POSITION				
Net Investment In Capital Assets	-	-	103,561	103,561
Restricted	12,395,798	-	-	12,395,798
Unrestricted	-	(6,765,917)	24,818,163	18,052,246
Total Net Position	<u>12,395,798</u>	<u>(6,765,917)</u>	<u>24,921,724</u>	<u>30,551,605</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 598,803,407</u>	<u>\$ 84,411,391</u>	<u>\$ 25,090,671</u>	<u>\$ 708,305,469</u>

See accompanying Notes to Financial Statements.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
OPERATING REVENUES				
Interest	\$ 18,936,672	\$ 3,800,311	\$ -	\$ 22,736,983
Other Income	-	-	339,839	339,839
Total Operating Revenue	<u>18,936,672</u>	<u>3,800,311</u>	<u>339,839</u>	<u>23,076,822</u>
OPERATING EXPENSES				
Bond Issue Costs	737,992	-	-	737,992
Other Expense	2,568,568	-	-	2,568,568
Operating Expenses	-	-	891,282	891,282
Total Operating Expenses	<u>3,306,560</u>	<u>-</u>	<u>891,282</u>	<u>4,197,842</u>
OPERATING INCOME (LOSS)	15,630,112	3,800,311	(551,443)	18,878,980
NONOPERATING REVENUES (EXPENSES)				
Net Appreciation (Depreciation) in Fair Value of Investments	(296,879)	-	403,861	106,982
Interest and Dividends	3,094,070	38,512	937,657	4,070,239
Interest Rebate	1,389,549	-	-	1,389,549
Interest Expense	(18,697,464)	(2,588,536)	-	(21,286,000)
Arbitrage Recovery (Rebate)	20,856	-	-	20,856
Gain on Defeasance of Bonds	232,814	-	-	232,814
Total Nonoperating Revenue (Expenses)	<u>(14,257,054)</u>	<u>(2,550,024)</u>	<u>1,341,518</u>	<u>(15,465,560)</u>
NET INCOME BEFORE TRANSFERS	1,373,058	1,250,287	790,075	3,413,420
TRANSFERS				
Transfers in	92,916	-	683,573	776,489
Transfers out	(683,573)	-	(92,916)	(776,489)
Transfers, net	<u>(590,657)</u>	<u>-</u>	<u>590,657</u>	<u>-</u>
CHANGE IN NET POSITION	782,401	1,250,287	1,380,732	3,413,420
Net Position - Beginning of Year	<u>11,613,397</u>	<u>(8,016,204)</u>	<u>23,540,992</u>	<u>27,138,185</u>
NET POSITION - END OF YEAR	<u>\$ 12,395,798</u>	<u>\$ (6,765,917)</u>	<u>\$ 24,921,724</u>	<u>\$ 30,551,605</u>

See accompanying Notes to Financial Statements.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

	2023			Total
	Bond Fund	Special Obligation Fund	Operating Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Municipalities and the Vermont State College System:				
Principal	\$ 50,097,895	\$ 3,030,000	\$ -	\$ 53,127,895
Interest (Net of Refunding Interest Savings)	16,388,023	3,837,886	-	20,225,909
Cash Paid to Suppliers for Goods and Services	-	-	(379,389)	(379,389)
Cash Paid to Employees for Services	-	-	(366,247)	(366,247)
Loans to Municipalities	(40,845,135)	-	-	(40,845,135)
Bond Issue Costs	(573,289)	-	-	(573,289)
Other Receipts	248	-	144,414	144,662
Net Cash Provided (Used) by Operating Activities	25,067,742	6,867,886	(601,222)	31,334,406
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Bonds Issued	66,368,644	-	-	66,368,644
Principal Reductions	(74,751,000)	(3,030,000)	-	(77,781,000)
Interest Paid	(25,482,900)	(3,870,751)	-	(29,353,651)
Interest Rebate	1,389,549	-	-	1,389,549
Transfers In	92,916	-	683,573	776,489
Transfers Out	(683,573)	-	(92,916)	(776,489)
Net Cash Provided (Used) by Noncapital Financing Activities	(33,066,364)	(6,900,751)	590,657	(39,376,458)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	-	-	(2,385)	(2,385)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales of Investments	18,694,442	-	30,004,930	48,699,372
Purchase of Investments	(15,711,302)	-	(30,409,918)	(46,121,220)
Interest and Dividends	3,094,070	38,512	937,657	4,070,239
Net Cash Provided by Investing Activities	6,077,210	38,512	532,669	6,648,391
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(1,921,412)	5,647	519,720	(1,396,045)
Cash and Cash Equivalents - Beginning of Year (Includes \$3,607,541 Reported as Restricted Cash)	8,030,902	25,631	788,222	8,844,755
CASH AND CASH EQUIVALENTS - END OF YEAR (Includes \$1,628,884 Reported as Restricted Cash)				
	<u>\$ 6,109,490</u>	<u>\$ 31,278</u>	<u>\$ 1,307,942</u>	<u>\$ 7,448,710</u>

See accompanying Notes to Financial Statements.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	2023			Total
	Bond Fund	Special Obligation Fund	Operating Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 15,630,112	\$ 3,800,311	\$ (551,443)	\$ 18,878,980
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	30,900	30,900
(Increase) Decrease In Following Assets:				
Accrued Interest Receivable	19,919	37,575	-	57,494
Accounts Receivable	164,703	-	(189,978)	(25,275)
Prepaid Expenses	-	-	(3,800)	(3,800)
Loans Receivable	9,252,760	3,030,000	-	12,282,760
Increase (Decrease) in Following Liabilities:				
Accounts Payable	248	-	118,546	118,794
Deferred Inflows	-	-	(5,447)	(5,447)
Net Cash Provided (Used) by Operating Activities	<u>\$ 25,067,742</u>	<u>\$ 6,867,886</u>	<u>\$ (601,222)</u>	<u>\$ 31,334,406</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Gain on Defeasance of Bonds	\$ 232,814	\$ -	\$ -	\$ 232,814
Refunding Loss Amortization	\$ 1,696,459	\$ -	\$ -	\$ 1,696,459

See accompanying Notes to Financial Statements.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS

A. Authorizing Legislation

The 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 Vermont 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.

Municipalities eligible for loan programs with the Bond Bank 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, 2023, 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 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 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 BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

<u>Date</u>	<u>Resolution</u>
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.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

<u>Date</u>	<u>Resolution</u>
June 13, 2012	2012 Series 2 Resolution authorizing the issuance of \$8,855,000 Qualified School Construction Bonds 2012 Series 2 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.
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.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

<u>Date</u>	<u>Resolution</u>
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.
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.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

<u>Date</u>	<u>Resolution</u>
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.
September 17, 2021	Assignment of the Royalton Fire District #1 refunded USDA loan to the 2015 Series 4 Taxable Bonds.
January 27, 2022	2022 Series 1 Resolution authorizing the issuance of \$9,000,000 2022 Series 1 Local Investment Bonds.
June 27, 2022	2022 Series 2 Resolution authorizing the issuance of the \$28,000,000 2022 Series 2 Local Investment Bonds and the \$23,445,000 2022 Series 3 Refunding Bonds and the refunding of the 2012 Series 1, 2012 Series 3, 2012 Series 5 and partial refunding of the 2012 Series 4 Bonds.
January 26, 2023	2023 Series 1 Resolution authorizing the issuance of \$14,490,000 2023 Series 1 Local Investment Bonds.
June 29, 2023	2023 Series 2 Resolution authorizing the issuance of the \$26,370,000 2023 Series 2 Local Investment Bonds and the \$20,010,000 2023 Series 3 Refunding Bonds and the refunding of the 2014 Series 1 Bonds and the 2014 Series 2 Refunding Bonds.

**VERMONT BOND BANK
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 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 three distinct funds, each of which is considered a separate accounting entity. The Vermont Bond Bank reports the following three major funds:

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.

Special Obligation Fund

The Bond Fund is used to administer the activities of the Bond Bank for the purpose of issuing loans to the Vermont State College System (VSCS). The bonds were issued under the 2017 General 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.

NOTE 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.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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 the obligation for payment is incurred. 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.

E. Investments

The Board of Directors appoints trustees to oversee the investments in the Bond Fund. As of December 31, 2023, 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 with readily determinable fair values are reported at their fair values on the statement of net position. See Note 4.

F. Accounts Receivable

The Bond Fund and Special Obligation Fund report loans receivable (see Note 5), accrued interest on loans receivable, and general receivables. The Operating Fund reports accounts receivable related to leases as well as management fees associated with program administration for the State of Vermont Special Environmental Revolving Fund and the Vermont Educational and Health Buildings Financing Agency (see Note 14). The recognition of revenue related to accounts receivable is reported under the accrual basis of accounting whereby receivables and revenues are recorded in the year accrued.

Accounts receivable are considered 100% collectible by the Bond Bank.

**VERMONT BOND BANK
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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 or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of the donation. 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

H. Deferred Outflows and Deferred Inflows of Resources

In addition to assets and liabilities, deferred outflows of resources, and deferred inflows of resources 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 (expense) until that time. The Bond Bank reports deferred outflows of resources related to the deferred loss on refunding of bonds payable. 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 (revenue) until that time. The Bond Bank reports deferred inflows of resources related to leases as discussed in Note 12.

I. 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 2023.

J. Long-Term Obligations

The Bond Bank reports long-term debt and other long-term obligations as liabilities in the 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.

**VERMONT BOND BANK
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position

For proprietary 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.

NOTE 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, 2023, general operating reserve cash was \$879,557. Of this total, \$214,437 was in collateralized and FDIC insured cash accounts. The remaining total of \$665,120 was held within "government money markets funds" and therefore was exposed to custodial credit risk. Unrestricted cash and cash equivalents in the Bond Fund of \$4,843,388 was held within "government money markets funds" rated AAAM by S&P, held by the Trustee. These funds are secured in eligible investments as defined in the General Resolution.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 INVESTMENTS

Unrestricted Investments – Operating Fund

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 fair value measures of its assets and liabilities 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.

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 measurement of investments. The classification and fair value of unrestricted investments held at December 31, 2023 are identified as follows.

	<u>Operating Fund</u>
Agency Securities	\$ 467,217
Asset-Backed Securities	898,691
Corporate Securities	4,748,813
Corporate Securities: Yankee	371,053
Mortgage Backed Securities (MBS)	8,731,603
U.S. Treasury Securities	8,208,419
Total	\$ 23,425,796

VERMONT BOND BANK
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 INVESTMENTS (CONTINUED)

Unrestricted Investments – Operating Fund (Continued)

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

Sector	Min%	Max%	Quality	Min%	Max%
U.S. Treasury	-	100 %	U.S. Treasury	-	100 %
Federal Agency	-	50	Federal Agency	-	100
Mortgage-Backed Securities	-	50	Aaa/AAA	-	50
Corporate	-	50	Aa/AA	-	50
Asset-Backed Securities	-	35	A/A	-	40
Commercial MBS	-	10	Baa/BBB	-	15
Supranational	-	10	Ba/BB	-	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. As of December 31, 2023, the Bond Bank was not exposed to concentration of credit risk.

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 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, 2023, the Bond Bank's unrestricted investments are identified in the table below:

S&P Credit Ratings	Agency Securities	Asset- Backed Securities	Corporate Securities	Foreign Bonds	Mortgage Backed Securities	U.S. Treasury Securities
AAA	\$ 467,217	\$ 755,386	\$ -	\$ -	\$ 8,731,603	\$ 8,049,956
AA+	-	34,010	-	-	-	158,463
AA	-	109,295	33,288	-	-	-
A+	-	-	729,652	142,602	-	-
A	-	-	420,788	120,554	-	-
A-	-	-	439,559	40,434	-	-
BBB+	-	-	1,032,930	36,453	-	-
BBB	-	-	1,205,464	-	-	-
BBB-	-	-	854,269	31,010	-	-
BB-	-	-	32,863	-	-	-
Total	<u>\$ 467,217</u>	<u>\$ 898,691</u>	<u>\$ 4,748,813</u>	<u>\$ 371,053</u>	<u>\$ 8,731,603</u>	<u>\$ 8,208,419</u>

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 INVESTMENTS (CONTINUED)

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	0.90
Asset-Backed Securities	1.28
Corporate Securities	3.71
Corporate Securities: Yankee	4.65
Mortgage Backed Securities (MBS)	5.52
MBS: Collateralized	4.44
U.S. Treasury Securities	4.47

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.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 INVESTMENTS (CONTINUED)

Restricted Investments (Continued)

The classification and fair value of restricted investments held at December 31, 2023 are as follows:

	Bond Fund
U.S. Treasury Bonds	\$ 26,304,133
U.S. Treasury Notes	29,636,582
U.S. Treasury Strips	216,461
U.S. Governments	1,093,441
Total	\$ 57,250,617

Restricted investments in the Bond Fund at December 31, 2023 mature as follows:

Investment Type	Fair Value	Investment Maturity (in Years)			
		< 1	1-5	6-10	> 10
U.S. Treasury Bonds	\$ 26,304,133	\$ -	\$ 10,208,927	\$ 6,827,892	\$ 9,267,314
U.S. Treasury Notes	29,636,582	1,251,433	9,979,763	8,605,201	9,800,185
U.S. Treasury Strips	216,461	-	216,461	-	-
U.S. Governments	1,093,441	-	-	1,093,441	-
Total	\$ 57,250,617	\$ 1,251,433	\$ 20,405,151	\$ 16,526,534	\$ 19,067,499

Restricted Cash

On December 31, 2023, \$1,597,606 and \$31,278, respectively, of cash in reserve funds reported in the Bond Fund and Special Obligation Fund, respectively, was restricted by the terms of the bond requirements.

NOTE 5 LOANS RECEIVABLE

Bond Fund

Loans receivable represent loans to municipalities which 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.

Special Obligation Fund

Loans receivable represent loans to the VSCS originating from loan agreements between the Vermont Bond Bank and VSCS under the 2017 General Bond Resolution for VSCS. Interest rates correspond with the interest rates on the related bonds payable by the Bond Bank. The loans mature during the same periods as the related bonds payable, and the payment of principal and interest on the bonds payable is made solely from funds of the Bond Bank held under the 2017 General Resolution.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LOANS RECEIVABLE (CONTINUED)

Special Obligation Fund (Continued)

The activity of loans receivable during the year is as follows:

Description	Bond Fund	Special Obligation Fund
Loans Receivable:		
January 1, 2023	\$ 532,139,976	\$ 86,480,000
Loan Disbursements	40,845,135	-
Loan Repayments	<u>(50,097,895)</u>	<u>(3,030,000)</u>
Loans Receivable:		
December 31, 2023	<u>\$ 522,887,216</u>	<u>\$ 83,450,000</u>

Interest savings from refundings may be passed through to the municipalities and are included in other expense. Other expense for the year ended December 31, 2023 included interest credits to municipalities from the following refundings.

	<u>Other Expense</u>
Refundings:	
2014 Series 2	\$ 1,852
2014 Series 4	80,000
2015 Series 1	183,885
2015 Series 3	147,791
2015 Series 4	12,862
2015 Series 5	263,317
2016 Series 2	116,996
2017 Series 4	34,139
2021 Series 2	35,885
2021 Series 4	137,389
2022 Series 1	2,254
2022 Series 3	724,161
2023 Series 3	828,037
Total	<u>\$ 2,568,568</u>

VERMONT BOND BANK
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is shown in the following table:

	Balance January 1, 2023	Increase	Decrease	Balance December 31, 2023
Capital Assets Being Depreciated:				
Computer Equipment	\$ 5,235	\$ 2,385	\$ -	\$ 7,620
Furniture and Fixtures	51,745	-	-	51,745
Leasehold Improvements	46,273	-	-	46,273
Lease Asset	75,442	-	-	75,442
Total Capital Assets Being Depreciated	178,695	2,385	-	181,080
Less: Accumulated Depreciation for:				
Computer Equipment	(1,455)	(1,809)	-	(3,264)
Furniture and Fixtures	(9,240)	(7,392)	-	(16,632)
Leasehold Improvements	(8,262)	(6,611)	-	(14,873)
Lease Asset	(27,662)	(15,088)	-	(42,750)
Total Accumulated Depreciation	(46,619)	(30,900)	-	(77,519)
Capital Assets, Net	<u>\$ 132,076</u>	<u>\$ (28,515)</u>	<u>\$ -</u>	<u>\$ 103,561</u>

NOTE 7 BOND LIABILITY ACTIVITY

Bond liability activity for the year ended December 31, 2023, was as follows:

	January 1, 2023	Additions	Reductions	December 31, 2023	Amounts Due Within One Year
Bonds Payable	\$ 646,837,000	\$ 60,870,000	\$ (77,781,000)	\$ 629,926,000	\$ 45,656,000
Plus Unamortized Premium (Discount)	49,125,132	5,498,644	(9,923,595)	44,700,181	8,863,571
Total Bonds Payable	695,962,132	66,368,644	(87,704,595)	674,626,181	54,519,571
Accrued Arbitrage Rebate	33,864	2,824	(23,680)	13,008	-
Total	<u>\$ 695,995,996</u>	<u>\$ 66,371,468</u>	<u>\$ (87,728,275)</u>	<u>\$ 674,639,189</u>	<u>\$ 54,519,571</u>

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 BONDS PAYABLE

Bonds payable as of December 31, 2023 consist of the following:

Issuance	Maturity Date	Interest Rate (%)	Outstanding at January 1, 2023	Issued	Redeemed	Outstanding at December 31, 2023
Term Bonds:						
2008 Series 2 Bonds	12/01/32	6.25%	\$ 4,955,000	\$ -	\$ (235,000)	\$ 4,720,000
2010 Series 2 Bonds	12/01/25	5.12%	1,370,000	-	(465,000)	905,000
2010 Series 2 Bonds	12/01/30	5.738%	1,845,000	-	-	1,845,000
2010 Series 3 Bonds	12/01/26	5.388%	1,365,000	-	-	1,365,000
2010 Series 5 Bonds	12/01/23	5.204%	3,440,000	-	(1,180,000)	2,260,000
2010 Series 5 Bonds	12/01/35	6.036%	8,150,000	-	-	8,150,000
2010 Series 5 Bonds	12/01/40	6.186%	495,000	-	-	495,000
2011 Series 1 Bonds	12/01/25	5.66%	9,500,000	-	-	9,500,000
2011 Series 3 Bonds	12/01/27	4.749%	2,940,000	-	-	2,940,000
2012 Series 2 Bonds	12/01/27	3.513%	300,000	-	-	300,000
2012 Series 2 Bonds	12/01/32	3.960%	8,555,000	-	-	8,555,000
2012 Series 4 Bonds	12/01/43	3.375%	365,000	-	-	365,000
2014 Series 3 Bonds	12/01/44	5.00%	1,450,000	-	-	1,450,000
2015 Series 1 Bonds	12/01/37	3.75%	695,000	-	-	695,000
2015 Series 2 Bonds	12/01/45	4.00%	1,740,000	-	-	1,740,000
2015 Series 4 Bonds	12/01/40	4.494%	4,000,000	-	(4,000,000)	-
2015 Series 4 Bonds	12/01/45	4.60%	4,275,000	-	(4,275,000)	-
2015 Series 5 Bonds	12/01/39	4.00%	2,080,000	-	-	2,080,000
2016 Series 1 Bonds	12/01/41	5.00%	3,145,000	-	-	3,145,000
2016 Series 1 Bonds	12/01/46	5.00%	1,240,000	-	-	1,240,000
2016 Series 2 Bonds	12/01/41	3.00%	2,165,000	-	-	2,165,000
2017 Series 1 Bonds	12/01/47	3.75%	4,420,000	-	-	4,420,000
2017 Series 2 Bonds	12/01/47	3.75%	1,755,000	-	-	1,755,000
2017 Series 3 Bonds	12/01/47	5.00%	3,895,000	-	-	3,895,000
2017 Series 4 Bonds	12/01/37	3.25%	360,000	-	-	360,000
2017 Series 4 Bonds	12/01/43	4.00%	640,000	-	-	640,000
2018 Series 1 Bonds	12/01/38	3.375%	1,310,000	-	-	1,310,000
2018 Series 1 Bonds	12/01/44	3.50%	1,685,000	-	-	1,685,000
2018 Series 2 Bonds	12/01/43	3.375%	755,000	-	-	755,000
2019 Series 1 Bonds	12/01/44	3.50%	4,195,000	-	-	4,195,000
2019 Series 1 Bonds	12/01/49	4.00%	3,740,000	-	-	3,740,000
2019 Series 2 Bonds	12/01/44	3.00%	1,280,000	-	-	1,280,000
2019 Series 2 Bonds	12/01/49	3.00%	800,000	-	-	800,000
2020 Series 1 Bonds	12/01/45	3.00%	2,000,000	-	-	2,000,000
2020 Series 1 Bonds	12/01/50	4.00%	1,815,000	-	-	1,815,000
2020 Series 2 Bonds	12/01/45	4.00%	965,000	-	-	965,000
2020 Series 2 Bonds	12/01/50	4.00%	835,000	-	-	835,000
2021 Series 1 Bonds	12/01/46	2.375%	1,660,000	-	-	1,660,000
2021 Series 1 Bonds	12/01/51	2.50%	1,510,000	-	-	1,510,000
2021 Series 3 Bonds	12/01/38	2.00%	2,925,000	-	-	2,925,000
2021 Series 3 Bonds	12/01/41	2.00%	2,695,000	-	-	2,695,000
2022 Series 1 Bonds (1)	12/01/46	1.95%	7,937,000	-	(436,000)	7,501,000
2022 Series 2 Bonds	12/01/42	5.00%	1,850,000	-	-	1,850,000
2022 Series 3 Bonds	12/01/42	4.00 - 5.00%	2,045,000	-	-	2,045,000
2023 Series 1 Bonds	12/01/48	4.17%	-	1,535,000	-	1,535,000
2023 Series 1 Bonds	12/01/53	4.22%	-	585,000	-	585,000
2023 Series 2 Bonds	12/01/48	4.15%	-	3,875,000	-	3,875,000
2023 Series 2 Bonds	12/01/53	4.18%	-	890,000	-	890,000
Serial Bonds:						
2010 Series 5 Bonds	12/01/25	5.454 - 5.604%	135,000	-	-	135,000
2013 Series 1 Bonds	12/01/23	5.00%	3,235,000	-	(3,235,000)	-
2014 Series 1 Bonds	12/01/33	4.00 - 5.00%	19,235,000	-	(19,235,000)	-
2014 Series 3 Bonds	12/01/34	5.00%	28,945,000	-	(2,920,000)	26,025,000
2015 Series 2 Bonds	12/01/35	2.00 - 5.00%	4,245,000	-	(290,000)	3,955,000
2015 Series 4 Bonds	12/01/25	2.80 - 3.45%	600,000	-	(600,000)	-
2016 Series 1 Bonds	12/01/36	2.00 - 5.00%	26,245,000	-	(1,895,000)	24,350,000
2017 Series 1 Bonds	12/01/37	2.50 - 5.00%	22,750,000	-	(1,305,000)	21,445,000
2017 Series 2 Bonds	12/01/30	2.25 - 5.00%	2,700,000	-	(335,000)	2,365,000
2017 Series 3 Bonds	12/01/37	5.00%	18,730,000	-	(1,255,000)	17,475,000

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 BONDS PAYABLE (CONTINUED)

Issuance	Maturity Date	Interest Rate (%)	Outstanding at January 1, 2023	Issued	Redeemed	Outstanding at December 31, 2023
2018 Series 1 Bonds	12/01/34	4.00 - 5.00%	\$ 3,970,000	\$ -	\$ (315,000)	\$ 3,655,000
2018 Series 2 Bonds	12/01/38	2.25 - 5.00%	27,160,000	-	(1,620,000)	25,540,000
2019 Series 1 Bonds	12/01/39	3.00 - 5.00%	14,720,000	-	(750,000)	13,970,000
2019 Series 2 Bonds	12/01/39	3.00 - 5.00%	25,585,000	-	(1,470,000)	24,115,000
2020 Series 1 Bonds	12/01/40	2.00 - 5.00%	17,260,000	-	(680,000)	16,580,000
2020 Series 2 Bonds	12/01/40	2.00 - 5.00%	13,570,000	-	(310,000)	13,260,000
2021 Series 1 Bonds	12/01/41	2.125 - 5.00%	25,975,000	-	(1,180,000)	24,795,000
2021 Series 3 Bonds	12/01/35	4.00 - 5.00%	11,255,000	-	(760,000)	10,495,000
2022 Series 2 Bonds	12/01/43	3.50 - 5.00%	21,295,000	-	(890,000)	20,405,000
2023 Series 1 Bonds	12/01/46	4.00 - 5.00%	-	12,370,000	-	12,370,000
2023 Series 2 Bonds	12/01/40	5.00%	-	21,605,000	-	21,605,000
Refunding Bonds:						
2014 Series 2 Bonds	12/01/25	5.00%	4,800,000	-	(4,800,000)	-
2014 Series 4 Bonds	12/01/26	3.00 - 5.00%	8,115,000	-	(2,065,000)	6,050,000
2015 Series 1 Bonds	12/01/27	1.875 - 5.00%	13,090,000	-	(2,505,000)	10,585,000
2015 Series 3 Bonds	12/01/25	2.00 - 3.00%	330,000	-	(110,000)	220,000
2015 Series 5 Bonds	12/01/35	2.00 - 5.00%	34,110,000	-	(4,660,000)	29,450,000
2016 Series 2 Bonds	12/01/36	5.00%	44,285,000	-	(4,020,000)	40,265,000
2017 Series 4 Bonds	12/01/33	3.125 - 5.00%	25,945,000	-	(100,000)	25,845,000
2021 Series 2 Bonds	12/01/26	1.05%	760,000	-	(760,000)	-
2021 Series 2 Bonds	12/01/31	2.00%	710,000	-	(710,000)	-
2021 Series 4 Bonds	12/01/33	4.00 - 5.00%	4,060,000	-	(2,830,000)	1,230,000
2022 Series 3 Bonds	12/01/33	4.00 - 5.00%	21,400,000	-	(1,740,000)	19,660,000
2023 Series 3 Bonds	12/01/33	5.00%	-	20,010,000	(815,000)	19,195,000
Special Obligation Bonds - VSCS:						
2017 Series A Bonds	12/01/37	4.00 - 5.00%	62,295,000	-	(2,890,000)	59,405,000
2020 Series A Bonds	12/01/37	3.00 - 5.00%	24,185,000	-	(140,000)	24,045,000
Subtotal Long-Term Debt			646,837,000	60,870,000	(77,781,000)	629,926,000
Unamortized Premium			49,125,132	5,498,644	(9,923,595)	44,700,181
Total			<u>\$ 695,962,132</u>	<u>\$ 66,368,644</u>	<u>\$ (87,704,595)</u>	<u>\$ 674,626,181</u>
Bonds from direct borrowing						

The annual requirements to amortize bonds payable as of December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 45,656,000	\$ 27,903,662
2025	55,056,000	25,754,175
2026	45,565,000	23,027,963
2027	47,117,000	20,923,662
2028	41,852,000	18,703,840
2029 to 2033	197,776,000	64,400,932
2034 to 2038	123,027,000	26,991,664
2039 to 2043	48,691,000	9,336,744
2044 to 2048	19,471,000	3,219,504
2049 to 2053	5,715,000	454,819
Total	<u>629,926,000</u>	<u>220,716,965</u>
Unamortized Premium	44,700,181	-
Total	<u>\$ 674,626,181</u>	<u>\$ 220,716,965</u>

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 BONDS PAYABLE (CONTINUED)

The deferred outflow on refunding of bonds payable at December 31, 2023 consists of the deferred loss on refunding of debt related to the following issuances:

Refundings:	
2014 Series 4	\$ 472,204
2015 Series 1	424,062
2015 Series 3	562,724
2015 Series 5	2,595,642
2016 Series 2	5,023,500
2017 Series 4	1,827,777
Total	<u>\$ 10,905,909</u>

2023 Defeasance

On December 1, 2023, the Bond Bank placed \$8,777,551 of funds into an irrevocable trust to provide for the payment of \$8,875,000 of 2015 Series 4 Bonds and \$1,270,000 of 2021 Series 2 Bonds. The bonds are scheduled to be called on December 1, 2024 and are considered defeased as of December 31, 2023. Cash to fund the escrows was identified from excess savings realized from downsizing debt service reserve funds, which is allowed under the terms of the 1988 Resolution.

2023 Refunding

The Bond Bank issued \$20,010,000 of 2023 Series 3 General Obligation Refunding Bonds, dated December 1, 2023, for the purpose of refunding of \$19,235,000 of the 2014 Series 1 Bonds and \$4,800,000 of 2014 Series 2 Refunding Bonds. The interest rate on the bonds is 5%. Payments to bondholders are scheduled to commence on December 1, 2024, and terminate on December 1, 2033. As a result of the refunding transaction, the Bond Bank reduces its total debt service payments over the next 10 years by \$4,159,892 and achieves an economic gain of \$1,479,457.

Vermont State College System

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 Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Vermont Bond Bank. The bonds are direct obligations of the Vermont Bond 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 Vermont Bond Bank not held under the General Resolution for the VSCS Program, are pledged to the security of the Bonds. At December 31, 2023, the VSCS outstanding bonds payable were \$59,405,000 of 2017 VSCS Series A Bonds and \$24,045,000 of 2020 VSCS Series A under this resolution.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 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:

	2023
Reserve Fund:	
Amortized Value	\$ 47,301,704
Reserve Requirement	40,337,498
Excess Above Requirement	\$ 6,964,206

The value includes amortization of premium or discount and accrued interest on securities held in the reserve funds. Restricted cash of \$1,597,606 is included in the amortized value at December 31, 2023.

NOTE 10 INTERFUND TRANSFERS

Interfund transfers between the Bond Fund and the Operating Fund include \$683,573 of Qualified School Construction Bond (QSCB) interest transferred from the Operating Fund to the Bond Fund; as well as a \$92,916 transfer from the Operating Fund to the Bond Fund for costs related to defeasance transaction expenses.

NOTE 11 LEASES

Lessee

In 2022, the Vermont Bond Bank entered into a five-year lease agreement as lessee for the acquisition and use of office space. The minimum rent of \$75,442 for five years was paid in one lump sum on commencement of the lease. Accordingly, the Bond Bank recorded a right-to-use lease asset of \$75,442 as of December 31, 2022. The lease asset is depreciated using the straight-line method over a useful life of five years.

Depreciation expense of \$15,088 was recognized for the year ended December 31, 2023. Total occupancy expense was \$19,454 for the fiscal year ended December 31, 2023.

Lessor

In 2022, the Vermont 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 deferred inflow of resources that will be recognized as revenue over the term of the lease. The Vermont Bond Bank recognized \$12,644 in lease revenue during the year related to this lease; which includes revenue from variable components of the lease totaling \$7,198. As of December 31, 2023, the balance of the deferred inflow of resources was \$13,629. 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 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.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 12 RETIREMENT PLAN

As of December 31, 2023, the Bond Bank had a simplified employee pension (SEP) plan for regular employees. In 2023, the Bond Bank's policy was to contribute 10% of annual compensation. To be eligible, an active employee must be 21 years of age and have been employed by the Bond Bank for over one year. In 2023, the Bond Bank contributed to retirement plans in the amount of \$36,273.

NOTE 13 RELATED PARTY TRANSACTIONS

The Bond Bank receives reimbursements from related parties for general and administrative services. The amount of related party reimbursements was \$327,195 for the year ended December 31, 2023. The total amount receivable in the Operating Fund as of December 31, 2023 was \$83,029 from these related parties.

NOTE 14 DEFICIT FUND NET POSITION

At December 31, 2023, the Special Obligation Fund reported a deficit net position of \$6,765,917. This deficit is the result of the unamortized bond premiums associated with the VSCS 2017 Series A and 2020 Series A issuances and will be amortized in future years as a component of interest expense.

NOTE 15 COMMITMENTS

The Rural Utilities Service of the United State Department of Agriculture approved a loan commitment for the Bond Bank in the amount of \$40 million (the "USDA Loan") in August 2023. The interest free loan will be used by the Bond Bank to make low interest loans to Governmental Units to implement durable cost-effective energy efficient measures and to fund program expenses. The Bond Bank expects to adopt a resolution separate from the General Resolution to secure the USDA Loan and a liquidity facility from a bank to secure the USDA Loan. The USDA Loan will be payable from different funds and assets than, and not on parity with General Resolution Bonds, including the Bonds. The Vermont Bond Bank will begin drawing upon this loan in Fiscal Year 2024.

**VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 16 SUBSEQUENT EVENTS

On January 26, 2024, the State of Vermont provided a loan to the Bond Bank (the State Loan) of up to \$15 million pursuant to the State of Vermont's "10% in Vermont" program to provide low interest loans to promote economic development. The Bond Bank used the proceeds of the State of Vermont Loan to make loans to Governmental Units to fund projects to mitigate the damage from the Summer 2023 flooding and use the loan repayments from such Governmental Units to repay the State of Vermont Loan. The State of Vermont Loan is payable from different funds and assets than, and is 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 received in connection with the State of Vermont Loan will be pledged to secure the State of Vermont Loan.

On March 13, 2024, the Vermont Bond Bank issued the 2024 Series 1 Bonds in the amount of \$66,015,000. 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 2024 Bonds.

The Bond Bank has evaluated subsequent events through March 28, 2024, the date on which the financial statements were available to be issued.



**INDEPENDENT AUDITORS' 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***

Board of Directors
Vermont Bond Bank
Burlington, Vermont

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 Bond Bank, a component unit of the state of Vermont, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Vermont Bond Bank's basic financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Vermont 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 Bond Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vermont 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 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.

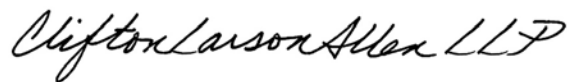
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 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 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 Bond Bank’s internal control and compliance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Andover, Massachusetts
March 28, 2024



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Vermont Bond Bank

2024 Series 2 Bonds
(the “Bonds”)

Continuing Disclosure Undertaking

Prior to the issuance of the Bonds, the Vermont Bond Bank (the “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.

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