Leg. Finance - Finance Comte Files (1971-72) 8879

HB 391 cont., 399, 402 77

Table 38 (cont)

	1975	1995
3rd Floor (22,000 net sq.ft.)		
Revenue		
Commissioner's Office	1098	1175
Field Office	2073	2442
Public Safety		
Fire Prevention	1270	1330
Admin Dept		
Supply	1780	2122
Health & Social Services		
Correction Div (excl Ct Unit)		
Probation Admin	3277	4505
Mental Health Div	2384	2798
Natural Resources (excl Oil & Gas Div)		
Parks Div	4113	4949
Geological Survey	2283	2546
	18278	21867
	(+3722)	(+133)
4th Floor (22,000 net sq.ft.)		
Natural Resources		
Land Div	18655	21585
	(+3345)	(+415)
5th Floor (22,000 net sq.ft.)		
Law Dept (excl Ct Unit & DA)	5352	5911
Commerce (excl. Weights & Measures)	11313	12706
Governor		
Econ Opportunity Office	873	1017
Indian Opp Div	772	812
	18310	20448
	(+3690)	(+1552)
6th Floor (22,000 net sq.ft.)		
Governor		
Exec	1449	1496
Planning & Research	441	441
Rural Dev	776	816
Admin Dept		
Admin Div	693	693
Legislature	630	630
State Oper Schools	13804	15773
Econ Development	1112	1153
	18900	21002
	(+3100)	(+998)

FAIRBANKS

Assumptions

1. The existing Court/Office Building should continue to be utilized through the planning period.

2. The existing Court/Office Building can be expanded either horizontally or vertically.

3. As much leased space as possible should be eliminated in favor of expanded and additional State-owned space.

4. The Highway Department's new District Complex should adequately house the Highway Department and the Communications Division of Public Works through the planning period.

5. The Fairbanks Clinic of the Department of Health and Social Services should remain in the City-owned building where it is presently housed.

6. Operational areas of the State Troopers, Department of Public Safety, should be located in a building separate from that of the courts and the other regional offices due to the around-the-clock operations of the State Troopers and their need for specialized training facilities which would be inappropriately located in a combined-use office facility.

7. The Fish and Game Department will continue with plans to construct a regional office facility; this facility should be adequate for the Department's requirements during the planning period.

Suggested Program

1. The existing Court Building, 602 Barnette Avenue, was found to be adequately sized to accommodate the Court System and court-related agencies through 1975; by 1985, the Courts and court-related agencies would exceed the available space in the building. It would be necessary to expand the building by adding a wing or another floor and thus meet the projected needs.

2. The other departments and agencies of the State government would have to be provided a new facility to meet their 1985 requirements. Because the existing building is not optimally designed for use as a court building, consideration was given to continued use of that structure for general State offices and the programming of a new court building. This alternative was rejected since the existing building is considerably larger than that required for general State offices plus a new court building would be larger than that needed for a new regional office building.

3. Review of the projected requirements for the Departments of Fish and Game and Highways located in Fairbanks indicated that the facilities they are building or have recently completed, respectively, will be adequate through the planning period.

It is suggested, however, that a new building be provided for the Fairbanks operations of the State Troopers; this building would exclude the Drivers License Section as well as the Judicial Services Unit, to be housed with the general State offices and Court System, respectively. The rented quarters, presently occupied, can accommodate the State Troopers until 1975, but additional space will be required thereafter.

TABLE 39
PROPOSED OCCUPANCY
COURT BUILDING
FAIRBANKS, ALASKA

	1975	1985
1st Floor (11,511 net sq.ft.) (Lobby area remains the same)		
Public Defender	1240	1592
District Attorney	2854	3398
Court Admin	693	693
Corrections	1987	2326
District Recorder	2300	2387
Vital Statistics	780	867
Court Units - from Superior Ct	2142	to 4th floor
	11969	11263
	(-458)	(+248)
2nd Floor (13,300 net sq.ft.)		
City/Borough Attorney	252	378
Superior Ct Clerk	4237	6427
Dist Court Clerk	2337	combined w/Sup Ct
Judicial Services	1302	1342
Supreme Court	1283	to 5th floor
Library	4367*	5074
	13778	13221
	(-478)	(+79)
3rd Floor (13,300 net sq.ft.)		
District Court		
Judicial	1869	2345
Court Units	10037	10037*
Probate Court	1338	to 5th floor
	13244	12382
	(+56)	(+918)
4th Floor (13,300 net sq.ft.)		
Superior Court		
Judicial	2597	3262
Med Ct Rm	3695	3695
3 Typical Ct Rm	7371**	3171
Dist Ct Rm	from Superior Ct	3171
	13663	13299
	(-363)	(+1)
5th Floor (13,300 net sq.ft.) (To be constructed by 1985)		
Supreme Court		1343
Probate Court		1378
3 Typical Superior Ct Rms		9513
		12234
		(+1066)

*Additional courtroom on 4th floor.
**2142 sq. ft. in auxiliary areas, 1st floor.

TABLE 40
PROPOSED OCCUPANCY
REGIONAL OFFICE BUILDING
FAIRBANKS, ALASKA

	1975	1985
1st Floor (15,000 net sq.ft.)		
Lobby	1000	1000
Labor		
Emp Security	5785	6139
Revenue		
Motor Vehicles	1337	1424
Public Safety		
Drivers License	1027	1224
Health & Social Services		
District Office	3195	3406
Natural Resources		
Lands Div	1377	1427
	13721	14620
	(+1279)	(+380)
2nd Floor (15,000 net sq.ft.)		
Health & Social Services		
Admin	866	906
Child & Family Services		
Regional Office	1644	1724
Health		
Regional Office	3905	3965
Mental Health Div	1406	1493
Education	1736	1942
Elections	738	924
Commerce		
Weights & Measures	594	864
Vets	473	513
Transportation	321	361
Alaska Legal Services	1257	1884
	12940	14576
	(+2060)	(+424)
3rd Floor (15,000 net sq.ft.)		
Legislature	630	630
Governor		
Asst to Gov	941	1107
Rural Dev Agency	598	648
Human Rights	374	414
Natural Resources		
Parks	361	401
AG	164	204
Public Works	775	855
Environmental Conservation	1263	1523
Revenue		
Field Ofc & Alcohol Bev Control	1600	1826
Labor	1859	2125
Fire Prev	502	619
Cafeteria	1972	2136
	10939	12488
	(+4031)	(+2512)

TABLE 41
PROPOSED OCCUPANCY
PUBLIC SAFETY BUILDING
FAIRBANKS, ALASKA

	1985
Ground Floor (9000 net sq.ft.)	
Operational Services Division	2238
Patrol Division	3853
Admin Division	741
Rural Division	126
Investigations Division	1291
	8249
	(+751)

BARROW

Assumptions

1. Fish and Game - the Game Biologist is now involved in research and located at the Navy's Arctic Research Laboratory. It was assumed that he would remain in this location and that space would be required only for the personnel of the Protection Division, which has vacancies in both of its authorized positions.

2. Public Health Nursing of Health and Social Services is comprised of a clinic operating in the U.S. Public Health Service's Hospital. Unused space is located adjacent to the existing clinic which should provide adequate expansion space.

3. The Manpower Center, Department of Labor, occupies a single-story structure owned by the State. Present requirements should be satisfied with slight alterations and future requirements could be accommodated if the building were expanded.

Suggested Program

The City of Barrow has developed plans for the construction of a new Airport Terminal Building with multiple-use capacity. In addition to the usual terminal facilities, hotel and F.A.A. Flight Services space will be provided.

The City has also proposed that approximately 3600 net square feet be provided on the second floor of the Terminal Building for State office space. As shown in Table 42, the proposed allocation of leased space would accommodate the State's requirements through 1975. Expansion to meet future State requirements could be accomplished by extending the second story, which is presently planned as a partial floor. The building is not designed to support the addition of a third floor, so that expansion of State offices beyond 1985 might be limited in the Terminal Building; this, however, should not present the State with a major obstacle.

Should the State agree to locate in the Terminal Building, it should make certain that its office space is adequately insulated against airport noises which could be quite disruptive of operations, particularly that of the court.

TABLE 42
SUGGESTED STATE OCCUPANCY
PROPOSED AIRPORT TERMINAL
BARROW, ALASKA

	1975	1985
2nd Floor		
Fish & Game, Protection Div	243	273
Health & Soc Svcs-Fam & Child Svcs	625	691
-Corrections	189	315
Public Safety	649	785
District Court	1455	3828
	3161	5892

TABLE 43
PROPOSED OCCUPANCY
COMBINED STATE FACILITY
KENAI, ALASKA

	1975	1985
1st Floor (11,000 net sq.ft.)		
Office of Governor		
Public Defender	630	756
Education Dept	341	381
Environmental Conservation	252	252
Fish & Game Dept	2541	2707
Health & Social Services Dept		
Child & Family Svcs Div	708	832
Corrections Div	352	to 2nd floor
Labor Dept	1267	1451
Public Safety Dept	1351	1438
Central Services	892	892
Alaska Legal Services	567	756
Mechanical/Storage	1500	1500
	10401	10965
	(+599)	(+35)
2nd Floor (11,000 net sq.ft.)		
Health & Social Services		
Corrections Div	from 1st flr	476
Law Dept		
District Atty	630	756
Superior Ct	5420	9085
District Court	4420	to 3rd floor
	10470	10317
	(+530)	(+683)
3rd Floor (4500 net sq.ft.)		
District Court	from 2nd flr	4520
		(+80)

KENAI

Assumptions

1. Eliminate most of leased space in favor of a State-owned facility.

2. Several court-related departments and agencies, not presently located in Kenai, will maintain staff in the future and thus require space.

Suggested Program

Table 43 describes a combined-use facility that would provide space for all departments and agencies. The most significant growth in space needs in Kenai is expected in the Court System between 1980 and 1985. The suggested building program lends itself well to the addition of a partial floor at that time to meet the projected requirements of the planning period.

KODIAK

Assumptions

1. Eliminate most leased space.

2. Continue to utilize the existing combined facility.

Suggested Program

1. Fish and Game presently leasing a considerable amount of space, including 2000 sq. ft. of warehouse. The warehouse space should continue to be leased or a new warehouse built, but in no case should this space be included in a State-owned office facility.

2. The existing State-owned facility should be occupied solely by the Court System and court-related departments and agencies, as space permits. This building should accommodate the needs of these occupants through the planning period.

   The Proposed Occupancy Table 44 indicates slight shortages of space in future projection periods. It should be noted that this is a statistical stacking, using modular courtroom units; by utilizing the existing Superior Courtroom in its present size, the deficit is easily accommodated.

3. Excluding the Court System, the other State agencies and departments with operations in Kodiak are finding it necessary to obtain leased space due to the expansion of the Courts. It is recommended that a new Regional Office Building, as described in Table 45 be provided to accommodate these operations.

TABLE 44
PROPOSED OCCUPANCY
EXISTING FACILITY
KODIAK, ALASKA

	1975	1985
1st Floor (4728 net sq.ft.)		
District Court	5582	5682
	(-854)	(-954)
2nd Floor (5909 net sq.ft.)		
Superior Court	5582	5682
Law Dept	-	567
Health & Social Services		
Corrections Div	301	301
	5883	6550
	(+26)	(-641)

TABLE 45
PROPOSED OCCUPANCY
NEW REGIONAL OFFICE BUILDING
KODIAK, ALASKA

	1975	1995
1st Floor (7800 net sq.ft.)		
Central Services	892	892
Fish & Game Dept		
Commercial Fisheries Div	5416	5852
Mechanical & Storage	1000	1000
	7308	7744
	(+492)	(+56)
2nd Floor (7800 net sq.ft.)		
Environmental Conservation Dept	504	504
Fish & Game Dept		
Admin Div	866	866
Game Div	552	552
Sport Fish Div	210	210
Protection Div	881	968
Health & Social Services Dept		
Child & Family Svcs Div	471	595
Public Health Div	798	882
Labor Dept	804	804
Public Safety Dept	751	798
Alaska Legal Services	567	756
	6404	6935
	(+1396)	(+865)

NOME

Assumptions

1. Public Health - Nome Health Clinic should remain in the Memorial Hospital. Slight expansion required should be accommodated within that facility. Itinerant Nursing office space can be located in the proposed joint-use State Office and Court Building.

2. Family and Children Services Division, now located in a State-owned building, can remain in that location if the unused second floor space is converted to office space.

Suggested Program

Although most State agencies in Nome lack adequate space for their operations, the most serious problems are the conditions and locations of the facilities occupied. These agencies are scattered in numerous leased, store-front locations with little or no opportunity for expansion. The Court System, located in the Federal Post Office Building, lacks proper courtroom facilities and has no opportunity for further expansion.

In developing a joint-use State facility, serious consideration must be given to the severe weather conditions in Nome. The location of the State courts and offices must be conveniently located to the populated area for easy access by the citizenry. Inclement weather is one reason the Highway Department wishes to locate its administrative and engineering personnel in a joint-use facility rather than remain in the District Complex located about three miles outside of town.

Based upon the projected space requirements for State facilities in Nome, a three-story court and office building is proposed. Since the projected increase in space requirements from 1975 to 1985 is only approximately 5000 net sq. ft., the 1985 requirements should be constructed at the outset.

TABLE 46
PROPOSED OCCUPANCY
COURT AND OFFICE BUILDING
NOME, ALASKA

	1975	1995
Basement (4000 net sq.ft.)		
Cafeteria	1000	1000
Mechanical	2000	2000
General Storage	1000	1000
	4000	4000
1st Floor (11,000 net sq.ft.)		
Fish & Game	2567	2713
Highways	4942	5276
Labor	985	1157
Revenue	630	668
Office of Governor		
NYC	443	490
Elections Div	410	450
Alaska Legal Services	882	to 2nd floor
	10860	10754
	(+140)	(+246)
2nd Floor (11,000 net sq.ft.)		
District Court		
Judicial	4715	4715
Clerk	828	–
Law Dept	694	820
Public Defender	413	559
Corrections Div	592	748
Public Safety Dept	1185	1213
Office of Governor		
Admin	882	882
Alaska Legal Services	from 1st floor	882
Public Health		
Itinerant Nursing	233	233
Superior Ct Clerk		
Library	531	531
	10073	10583
	(+927)	(+417)
3rd Floor (11,000 net sq.ft.)		
Superior Court		
Judicial	4486	8322
Clerk of Court (except Law Library)	1788	2235
	6274	10557
	(+4726)	(+423)

SITKA

Assumptions

1. Eliminate most leased space and consolidate in a combined use State-owned facility.

2. Training Academy facilities in the Sheldon Jackson School will have to be vacated during the planning period.

Suggested Program

1. A combined use court and office building was programmed to accommodate all the departments and agencies with staff and operations in Sitka (except for the Training Academy) and was described in Table 47 .

2. New facilities for the Public Safety Department's Training Academy were programmed based upon the expansion of the existing programs. It was suggested that two buildings (Table 48) be provided: the first should be a two-story structure housing the academic, dormitory, and support areas; the second should be one story and contain the physical training areas and vehicle demonstration shops.

TABLE 47
PROPOSED OCCUPANCY
COMBINED COURT AND OFFICE FACILITY
SITKA, ALASKA

	1975	1985
1st Floor (9100 net sq.ft.)		
Fish and Game Dept	1513	1677
Public Safety Dept		
General Office	744	784
Superior Ct, Judicial Svcs Unit	297	297
District Court	4456	4456
Central Services	892	892
Mechanical/Storage	1000	1000
	8902	9106
	(+198)	(-6)
2nd Floor (9100 net sq.ft.)		
Health & Social Svcs Dept	1735	1899
Labor Dept	983	1023
Law Dept	378	567
Superior Ct (except Judicial Svcs Unit)	4642	4977
Alaska Legal Services	567	567
	8305	9033
	(+795)	(+67)

TABLE 48
PROPOSED OCCUPANCY
PUBLIC SAFETY TRAINING ACADEMY
SITKA, ALASKA

	1975	1995
MAIN BUILDING		
1st Floor (9100 net sq.ft.)		
Admin Section		
Commander & Clerical Areas	1581	1668
Criminalistics Training Areas	2015	2015
Support Facilities		
Cafeteria	1700	1700
Sleeping Quarters (11 rooms)	2709	2709
Mechanical & Storage	1000	1000
	9005	9092
	(+95)	(+8)
2nd Floor (9100 net sq.ft.)		
Admin Section		
Instructors	1344	1470
Training Facilities	3843	4263
Support Areas		
Sleeping Quarters (11 rooms)	2709	2709
Laundry & Uniform Storage	378	378
	8274	8820
	(+826)	(+280)
PHYSICAL TRAINING BUILDING		
1st Floor (16.215 net sq.ft.)		
Vehicle Demonstration Area	1053	1053
Firearms Training Areas	2897	2897
Physical Training Areas	11765	11765
Mechanical & Storage	500	500
	16215	16215

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

4/4/89
Date

02-519 (REV 8/78)

The Legislature of the State of Alaska
FISCAL NOTE
Second Session - Sixth State Legislature

I. REQUEST
Bill Identification: HB 391
Title: Space Requirements Study
Requested by: Legislative Finance Date: 1/11/72
Return Date Requested: 1/24/72
Agency: Budget & Management Program:

II. FISCAL DETAIL
Budget Request Unit(s) Affected:
A. EXPENDITURES: (Thousands of dollars)

	OBJECT	FY 72	FY 73	FY 74	FY 75	FY 76	FY 77
100	PERSONAL SERVICES						
200	TRAVEL						
300	CONTRACTUAL						
400	COMMODITIES						
500	EQUIPMENT						
600	LAND & STRUCTURES						
700	GRANTS, CLAIMS, ETC.						
	TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

An interim report the "Study of Space Requirements for the State of Alaska" has already been prepared (copy attached), and no additional funding is required to complete this space study. A resolution has been submitted to allow for ASHA funding of the facilities recommended.

IV. ATTACHMENTS

Interim Report to the State of Alaska
Study of Space Requirements

(See HB 391 original file)

V. DATE: 1-21-72 PREPARED BY: M. K. Cham[illegible]

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Introduced: 4/5/71
Referred: State Affairs and Finance

BY ROSE, BANFIELD, BARBER, FARRELL, GUESS, HARRIS, HUBER, MCGILL, NAUGHTON AND MORAN

IN THE HOUSE

HOUSE BILL NO. 391

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act appropriating to the Department of Administration; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The sum of $100,000 is appropriated from the general fund to the Department of Administration for the purpose of conducting a space requirements study for all state offices, including the needs of the Alaska Court System and related facilities.

* Sec. 2. If the Department of Administration receives any federal money, or money from any other source, private or public, for the purpose of the space needs study, a sum equal to the amount received shall be reimbursed to the general fund.

* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

The Legislature of the State of Alaska
FISCAL NOTE

COPIES: X THE CHAIRMAN OF THE COMMITTEE MAKING THE REQUEST
X THE HOUSE FINANCE COMMITTEE STAFF
___ THE SENATE FINANCE COMMITTEE STAFF
___ THE DIVISION OF BUDGET & MANAGEMENT
___ RETAIN A COPY FOR YOUR FILES

Subject ________ HB 391 ________ SB ________
requested by House Finance Committee
referred to ________ date of request 4/7/71
completion date requested ________ date received ________

EXPENDITURE DETAIL	FY 71-72	FY	FY
100 PERSONAL SERVICES	$	$	$
200 TRAVEL			
300 CONTRACTUAL SERVICES	100,000	-0-	-0-
400 COMMODITIES			
500 EQUIPMENT			
600 LAND AND STRUCTURES			
700 GRANTS, CLAIMS & SHARED REVENUE			
TOTAL	$ 100,000	$ -0-	$ -0-
FUNDING DETAIL			
FEDERAL RECEIPTS	$	$	$
SPECIAL FUNDS			
UNRESTRICTED GENERAL FUND RECEIPTS	100,000		
Man Months			
Permanent Positions			
Temporary Positions			

FISCAL ANALYSIS

House Bill Number 391 appropriates $100,000 to the Department of Administration to conduct a Statewide Space Requirement Study. This study would be conducted under one Contract on a nonrecurring basis; thus no additional funding is required for this purpose in subsequent fiscal years.

If Federal receipts should become available to wholly or partially cover the costs of this program, any unexpended portion of the general fund appropriation will be lapsed back to the general fund.

DATE 4/8/71 SIGNATURE M R Charney

NAME & TITLE M. R. Charney, Director
Division of Budget and Management

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James G. Smith
Signature of Camera Operator

4/4/89
Date

02-819 (REV 8/78)

An Act establishing the Alaska Historical Commission

Committee Report

HOUSE OF REPRESENTATIVES

4/15/71

5/11/71
Date

Mr. Speaker:

The Committee on FINANCE has had SSHB 399 under consideration. A majority of the members of the Committee

- [ ] recommends it do pass
- [ ] recommends it do not pass
- [ ] recommends it do pass with attached amendment(s)
- [ ] recommends it be replaced with CS for ______ and that CS for ______ do pass
- [ ] (and) recommends it be referred to the ______ committee
- [x] reports it back without recommendation
- [ ] (other) ______

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

______ recommends:

______ recommends:

______ recommends:

______ recommends:

______ recommends:

CHAIRMAN

Warwick

WILLIAM A. EGAN
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 19, 1971

The Honorable George H. Hohman
Chairman, House Finance Committee
House of Representatives
State Capitol
Juneau, Alaska 99801

Dear Mr. Hohman:

Our estimate of the requirement for funding of Sponsor Substitute for House Bill Number 399, establishing the Alaska Historical Commission, follows:

Per Diem Four people attending 8 three-day meetings at $35 per day	$ 3,360
Travel for Meeting	4,000
Director	22,536
Secretary I	8,028
17% Benefits	5,195
Travel for Director	3,500
Office Equipment	3,000
Office Supplies	1,500
Total	$51,119

If you need additional information, I will be happy to provide it.

Sincerely,

Warren W. Wiley

Warren W. Wiley
Administrative Assistant
to the Governor

Introduced: 4/9/71
Referred: State Affairs and Finance

IN THE HOUSE BY GUESS AND BRADNER

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 399

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing the Alaska Historical Commission."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 44.19 is amended by adding new sections to read:

ARTICLE 7. ALASKA HISTORICAL COMMISSION.

Sec. 44.19.461. CREATION. There is created in the Office of the Governor the Alaska Historical Commission.

Sec. 44.19.466. COMPOSITION. The Alaska Historical Commission consists of four members appointed by the governor, ex officio the lieutenant governor, and ex officio the executive director who may not vote. The lieutenant governor shall serve as chairman.

Sec. 44.19.471. APPOINTMENT. The governor shall make his appointments from a list of recommended nominees submitted to him each year by the Alaska Historical Society. In the first year of the commission the list of nominees shall contain at least eight names and in each subsequent year the list shall contain at least four names. A person who has served on the commission may be renominated.

Sec. 44.19.476. TERMS OF OFFICE. The term of office for each appointed member of the commission is two years, provided that of the members first appointed, two shall serve for one year and two shall serve for two years. When a member's term has expired and a replacement has not been appointed, the member shall continue to serve until a replacement is appointed.

Sec. 44.19.481. COMPENSATION. The members of the commission shall not receive compensation for their services, but they shall

ALASKA HISTORICAL SOCIETY

Mr. George Hohman
ALASKA STATE LEGISLATURE
Pouch V State Capitol
Juneau, Alaska 99801

RE: <u>SENATE BILL 229 AND SS FOR HOUSE BILL 399 ESTABLISHING THE ALASKA HISTORICAL COMMISSION</u>

Dear George:

As you are aware, SB229 and SS for HB399 have been introduced into the two Houses. They are the same measure.

At this writing, SS for HB399 has been reported out of the House State Affairs Committee with a unanimous "do pass" recommendation. It is now before the House Finance Committee.

SB229 is currently in the Senate State Affairs Committee.

Since the beginning of this Session, you have received numerous communications concerning the need for immediate attention to the publication of the Forty Ninth State's prehistory and history. The Alaska Historical Commission Bills now before you provide a means to its realization.

The Legislative Committee of the Alaska Historical Society urges your favorable action <u>now</u> in the passage and funding of this important milestone.

Respectfully,

Robert A. Frederick
for the
Legislative Committee
ALASKA HISTORICAL SOCIETY

21 April 1971

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

Introduced: 4/9/71
Referred: State Affairs and Finance

IN THE HOUSE BY GUESS AND BRADNER

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 399

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

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Sec. 44.19.471. APPOINTMENT. The governor shall make his appointments from a list of recommended nominees submitted to him each year by the Alaska Historical Society. In the first year of the commission the list of nominees shall contain at least eight names and in each subsequent year the list shall contain at least four names. A person who has served on the commission may be renominated.

Sec. 44.19.476. TERMS OF OFFICE. The term of office for each appointed member of the commission is two years, provided that of the members first appointed, two shall serve for one year and two shall serve for two years. When a member's term has expired and a replacement has not been appointed, the member shall continue to serve until a replacement is appointed.

Sec. 44.19.481. COMPENSATION. The members of the commission shall not receive compensation for their services, but they shall

receive the same travel pay and per diem as state officials and employees.

Sec. 44.19.486. DUTIES OF THE COMMISSION. The duties of the commission shall be to

(1) survey, evaluate, and catalog Alaska prehistory and history materials now in print;

(2) ascertain and register what Alaska prehistory and history work is now in progress;

(3) identify the existing gaps in the coverage of Alaska's past in presently available published works and establish priorities for bridging them;

(4) prepare a thematic study of Alaska's history for historic preservation;

(5) identify the sources of Alaska's history;

(6) coordinate the production and publication of works that will adequately present all aspects of Alaska's past; and

(7) cooperate with the federal government in programs relating to history and archaeology.

Sec. 44.19.491. REPORTS. The commission shall make an annual report to the governor.

Sec. 44.19.496. EXECUTIVE DIRECTOR. The commission shall hire an executive director and determine his salary. The executive director shall serve as the executive officer of the commission in the accomplishment of its functions. He serves at the direction and at the pleasure of the commission.

ALASKA HISTORICAL SOCIETY

Mr. George Hohman
ALASKA STATE LEGISLATURE
Pouch V State Capitol
Juneau, Alaska 99801

RE: SENATE BILL 229 AND SS FOR HOUSE BILL 399
ESTABLISHING THE ALASKA HISTORICAL COMMISSION

Dear George:

As you are aware, SB229 and SS for HB399 have been introduced into the two Houses. They are the same measure.

At this writing, SS for HB399 has been reported out of the House State Affairs Committee with a unanimous "do pass" recommendation. It is now before the House Finance Committee.

SB229 is currently in the Senate State Affairs Committee.

Since the beginning of this Session, you have received numerous communications concerning the need for immediate attention to the publication of the Forty Ninth State's prehistory and history. The Alaska Historical Commission Bills now before you provide a means to its realization.

The Legislative Committee of the Alaska Historical Society urges your favorable action now in the passage and funding of this important milestone.

Respectfully,

Robert A. Frederick
for the
Legislative Committee
ALASKA HISTORICAL SOCIETY

21 April 1971

ALASKA HISTORICAL SOCIETY

BOX 35 • ALASKA METHODIST UNIVERSITY
ANCHORAGE, ALASKA 99504

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Mr. George Hohman
House of Representatives
Alaska State Legislature
Pouch V
Juneau, Alaska

99801

VIA AIR MAIL

Introduced: 4/9/71
Referred: State Affairs and Finance

IN THE HOUSE BY GUESS AND BRADNER

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 399

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing he Alaska Historical Commission."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 44.19 is amended by adding new sections to read:

ARTICLE 7. ALASKA HISTORICAL COMMISSION.

Sec. 44.19.461. CREATION. There is created in the Office of the Governor the Alaska Historical Commission.

Sec. 44.19.466. COMPOSITION. The Alaska Historical Commission consists of four members appointed by the governor, ex officio the lieutenant governor, and ex officio the executive director who may not vote. The lieutenant governor shall serve as chairman.

Sec. 44.19.471. APPOINTMENT. The governor shall make his appointments from a list of recommended nominees submitted to him each year by the Alaska Historical Society. In the first year of the commission the list of nominees shall contain at least eight names and in each subsequent year the list shall contain at least four names. A person who has served on the commission may be renominated.

Sec. 44.19.476. TERMS OF OFFICE. The term of office for each appointed member of the commission is two years, provided that of the members first appointed, two shall serve for one year and two shall serve for two years. When a member's term has expired and a replacement has not been appointed, the member shall continue to serve until a replacement is appointed.

Sec. 44.19.481. COMPENSATION. The members of the commission shall not receive compensation for their services, but they shall

receive the same travel pay and per diem as state officials and employees.

Sec. 44.19.486. DUTIES OF THE COMMISSION. The duties of the commission shall be to

(1) survey, evaluate, and catalog Alaska prehistory and history materials now in print;

(2) ascertain and register what Alaska prehistory and history work is now in progress;

(3) identify the existing gaps in the coverage of Alaska's past in presently available published works and establish priorities for bridging them;

(4) prepare a thematic study of Alaska's history for historic preservation;

(5) identify the sources of Alaska's history;

(6) coordinate the production and publication of works that will adequately present all aspects of Alaska's past; and

(7) cooperate with the federal government in programs relating to history and archaeology.

Sec. 44.19.491. REPORTS. The commission shall make an annual report to the governor.

Sec. 44.19.496. EXECUTIVE DIRECTOR. The commission shall hire an executive director and determine his salary. The executive director shall serve as the executive officer of the commission in the accomplishment of its functions. He serves at the direction and at the pleasure of the commission.

Introduced: 4/6/71
Referred: State Affairs and Finance

IN THE HOUSE BY GUESS AND BRADNER

HOUSE BILL NO. 399

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing the Alaska Historical Commission."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 14 is amended by adding a new chapter to read:

CHAPTER 53. ALASKA HISTORICAL COMMISSION.

Sec. 14.53.010. CREATION. There is created in the Department of Education the Alaska Historical Commission.

Sec. 14.53.020. COMPOSITION. The Alaska Historical Commission consists of four members appointed by the governor, ex officio the lieutenant governor, and ex officio the executive director who may not vote. The lieutenant governor shall serve as chairman.

Sec. 14.53.030. APPOINTMENT. The governor shall make his appointments from a list of recommended nominees submitted to him each year by the Alaska Historical Society. In the first year of the commission the list of nominees shall contain at least eight names and in each subsequent year the list shall contain at least four names. A person who has served on the commission may be renominated.

Sec. 14.53.040. TERMS OF OFFICE. The term of office for each appointed member of the commission is two years, provided that of the members first appointed, two shall serve for one year and two shall serve for two years. When a member's term has expired and a replacement has not been appointed, the member shall continue to serve until a replacement is appointed.

Sec. 14.53.050. COMPENSATION. The members of the commission shall not receive compensation for their services, but they shall

receive the same travel pay and per diem as state officials and employees.

Sec. 14.53.060. DUTIES OF THE COMMISSION. The duties of the commission shall be to

(1) survey, evaluate, and catalog Alaska prehistory and history materials now in print;

(2) ascertain and register what Alaska prehistory and history work is now in progress;

(3) identify the existing gaps in the coverage of Alaska's past in presently available published works and establish priorities for bridging them;

(4) prepare a thematic study of Alaska's history for historic preservation;

(5) identify the sources of Alaska's history;

(6) coordinate the production and publication of works that will adequately present all aspects of Alaska's past; and

(7) cooperate with the federal government in programs relating to history and archaeology.

Sec. 14.53.070. REPORTS. The commission shall make an annual report to the governor.

Sec. 14.53.080. EXECUTIVE DIRECTOR. The commission shall hire an executive director and determine his salary. The executive director shall serve as the executive officer of the commission in the accomplishment of its functions. He serves at the direction and at the pleasure of the commission.

RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James Smith
Signature of Camera Operator

4/4/89
Date

02-819 (REV 8/78)

SMALL COMMUNITIES AND THE TAX-EXEMPT MARKET:

THE CASE FOR CONSOLIDATION IN ILLINOIS

by

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Small Communities and the Tax-Exempt Market:

The Case for Consolidation in Illinois

A continuing problem for the tax-exempt market has been the financing of the small community. By very reason of its small size, this governmental unit has faced chronic difficulties in obtaining an adequate supply of credit at reasonable rates of interest. Our analysis will indicate that small credits in the State of Illinois are no exception. In this light, it may be useful to review some of the specific problems faced by small communities.

Small Credits in the Tax-Exempt Market: An Analysis of the Problem

Many of the financing difficulties faced by small borrowers are intrinsic: they relate to the inefficiencies of small size. As noted in a study prepared for the Joint Economic Committee of the U. S. Congress:

> First, small municipalities market bond issues at infrequent intervals, and these issues usually involve only a limited number of bonds of relatively small total dollar amounts. However, overhead costs incurred in marketing an issue of small dollar amount is not proportionally less than the cost incurred in marketing a sizable issue. As a consequence, market costs per bond are higher for small issues, becasue the "spread" is greater for a small issue than it is for a large issue. Major bond buyers, such as insurance companies and commercial banks, usually prefer to purchase bond issues that are large in total dollar amounts becasue larger issues are generally easier to trade. Thus, bond issues of small municipalities are relatively more costly to market, and less attractive to investors, than are the issues of large municipalities. Second, large municipalities generally can provide quickly and accurately the detailed financial information needed by bond dealers and buyers for an analysis of investment possibilities. Third, small municipalities usually cannot afford to employ the experienced legal and financial advisors necessary to guide the bond issue through the intricacies of the bond market smoothly and effectively.

> Finally, the influential bond rating services, that evaluate the municipal fiscal responsibility, usually will not rate bonds of political subdivisions unless such units have at least a specified minimum debt outstanding. This policy probably reflects the general lack of interest in the bond issues of small municipalities, and the difficulty of securing detailed financial data from such units. The absence of rating tends to decrease still further bond buying interest.[1]

Statistics compiled by Berman and Williams for the period 1961-65 indicate an average difference of about 40 basis points between the net interest cost of unrated bond issues of small communities with less than 10,000 population and the net interest cost of medium sized communities with a rating of "A" or better. About half of this difference can be attributed to the size of the community and the remainder to a superior credit rating.

Moreover, the inefficiencies of small size become exacerbated in a market increasingly dominated by large institutional investors who deal in sizeable blocks of securities. A bond issue of $500,000, with equal annual maturities out to twenty years, would imply only 5 bonds, with a standard denomination of $5000, for any one maturity. Because of high administrative and resale costs, many institutional investors refuse to consider blocks of less than fifty bonds of the same maturity.

Added to the relative lack of interest on the part of large institutions is the high cost of providing information to attract a national market. This

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[1] David R. Berman and Lawrence A. Williams, "Credit Problems of Small Municipalities," State and Local Public Facility Needs and Financing, a study prepared for the Joint Economic Committee of the U. S. Congress, December, 1966, Vol. 2, pp. 249-250.

tends to limit small credits to local or at best regional markets. Perhaps the most serious problem faced by these communities is the virtual absence of demand for longer maturities. As a result, small borrowers are either forced to pay very high premiums to sell longer maturities or to restrict a major share of their offerings to the short and intermediate maturities.

The juxtaposition of these factors with periodic cycles of tight credit has particularly severe effects on small issuers. The relatively higher costs of borrowing paid by small borrowers means that these issues are the first to be rationed out of the market by high interest rates and interest ceilings. Their lack of financial flexibility leads to a greater volume of displacements and to a marked reduction in outlays for needed capital facilities.

To illustrate, a recent Federal Reserve study of the restrictive impacts of the 1969 credit crunch has estimated that the local governments carried out only 53 percent of their planned borrowing in that year; that school districts carried out only 50 percent of their anticipated borrowings; while states realized 63 percent of their planned financing. In commenting on the 1969 tax-exempt market, it was noted that:

> Among the types of units, capital spending delays and reductions induced by high interest rates were by far most severe for school districts.
>
> They (smaller units of government) generally lack temporizing alternative means of finance.[2]

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[2] John E. Petersen, "Response of State and Local Governments to Varying Credit Conditions," Federal Reserve Bulletin, March, 1971, pp. 219, 224.

Many of these points can be illustrated for small communities in Illinois. We have compiled, in Table 1, some information from 1965 to 1970 relating to new bond issues for local borrowing units with populations of less than 25,000 persons. In the first instance, it seems noteworthy that the amount of financing by these units declined each year. This decline occurred during a period when interest rates were relatively high. The extent to which these communities may have been rationed out of the market by the combination of interest ceilings and high market rates is suggested by the comparison of new issue volume with total state and local borrowing for Illinois. The proportion of financing accounted for by small communities (noted in Column 3) declined from 11.3 percent in 1965 to 5.7 percent in 1969 and to 4.9 percent in the first half of 1970. As a crude measure of the rationed borrowings, an application of the 1965 ratio to 1969 would imply that small communities would have sold $23 billions millions in new bond issues during 1969. This is $1.5 billions millions or 7 percent more than was actually issued during that year.

Small Illinois communities may face a limited market for long maturities, and this may be particularly true when interest rates are at the legal ceiling. Columns 4 and 5 of Table 1 indicate that the average maturity on all tax-exempt issues is approximately three years longer than for small Illinois issues. This widens to more than five years during periods of particularly high interest rates, such as 1966 and 1969—early 1970.

Finally, we note in Columns 6 and 7, that small borrowers in Illinois are very rarely, if ever, rated in the top two rating classes. By contrast, between 8 percent and 29 percent of total Illinois issues have ratings of "double-A" or better.

Table 1

Selected Data on New Bond
Issues of Small Communities*
in Illinois, 1965 - June 1970

	Number of Small Issues	Total Small Issues ($ millions)	Percent of State & Local Issues in Illinois	Weighted Average Maturity (Years)	Average Maturity - All U.S. Tax-Expense Exempt Issues (Years)	Percent of Issues Rated AA as above: Small Issues	All Illinois Issues
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1965	93	$40.1	11.3%	7.0	12.6	2.7	17.6
1966	58	37.3	8.9	9.0	14.3	0.0	16.2
1967	58	34.3	5.8	12.5	13.0	12.2	8.1
1968	49	41.3	5.8	10.5	11.6	2.9	28.7
1969	24	21.5	5.7	11.5	12.1	0.0	25.6
Jan. June 1970	18	13.7	4.9	6.8	12.2 ~~6.8~~	0.0	19.4

*Communities with less than 25,000 population

Source: Compiled from data supplied by the Investment Bankers Association, and include both general obligation and revenue bonds.

Many of these points can be illustrated for small communities in Illinois. We have compiled, in Table 1, some information from 1965 to 1970 relating to new bond issues for local borrowing units with populations of less than 25,000 persons. In the first instance, it seems noteworthy that the amount of financing by these units declined each year. This decline occurred during a period when interest rates were relatively high. The extent to which these communities may have been rationed out of the market by the combination of interest ceilings and high market rates is suggested by the comparison of new issue volume with total state and local borrowing for Illinois. The proportion of financing accounted for by small communities (noted in Column 3) declined from 11.3 percent in 1965 to 5.7 percent in 1969 and to 4.9 percent in the first half of 1970. As a crude measure of the rationed borrowings, an application of the 1965 ratio to 1969 would imply that small communities would have sold $23 ~~billions~~ millions in new bond issues during 1969. This is $1.5 ~~billions~~ millions or 7 percent more than was actually issued during that year.

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Finally, we note in Columns 6 and 7, that small borrowers in Illinois are very rarely, if ever, rated in the top two rating classes. By contrast, between 8 percent and 29 percent of total Illinois issues have ratings of "double-A" or better.

State Financing Conduits and the Consolidation of Small Issues: A Viable Alternative

There can be little doubt that there exist serious problems for the small community in raising capital via the bond market. However, there is a growing awareness that state and local governments have the means at hand to resolve these problems. The inefficiencies of small size can be largely overcome by pooling a number of small issues into a single state-sponsored issue which is backed by the revenues of local taxing units and by the moral obligation of the State. The use of this conduit can substantially improve the flow of funds to small communities with dramatic savings in debt service requirements.

The efficacy of consolidating small issues has already been demonstrated in the market by the recent Vermont Municipal Bond Bank. Moreover, there is pending legislation in Congress to institute a Rural Development Bank for the purpose of providing financial assistance to small communities. This development bank would consolidate local issues and sell taxable obligations to provide funds to communities of less than 35,000 population. Clearly, this alternative represents an inroad on the tax-exempt market. One way for state and local governments to respond in a positive fashion to this legislation is to take some initiative in developing state financing agencies.

The financial gain to local government can be demonstrated by an examination of comparative borrowing costs. Following the example of the Vermont Bond Bank, which was "double-A" rated by both Moody's and Standard & Poor's, we can assume that a comparable statewide financing agency in Illinois would also carry a "double-A" rating.

From The Daily Bond Buyer, we have compiled a list of sixty-one general obligation bonds issued by local units in Illinois during the period September 1970 through July 1971. Each of these issues was less than one million dollars.[3]

We have compared the net interest costs on these issues with reoffering yields on double-A rated general obligations for comparable maturities issued on comparable dates. The technical appendix describes this methodology in more detail. In our initial comparison, we took the difference between the net interest cost on each Illinois issue and the comparable reoffering yield on double-A bonds. This differential ranged from 3 basis points[4] to 171 basis points, and the average differential for all sixty-one issues was 66 basis points. Table 2 summarizes this comparison. It is noteworthy that more than sixty percent of all issues had a differential of more than 50 basis points.

It will also be noted that a higher proportion, over seventy percent, of the issues with average maturities of less than ten years paid premiums of more than 50 basis points.

This is particularly surprising since short-term rates are generally lower than long-term rates and basis point differentials tend to vary directly with the level of yields. We expected, therefore, that shorter-term issues

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3Selected data describing these issues are presented in the technical appendix.

4A basis point represents one-hundredth of a percentage point. Thus, 50 basis points are equivalent to one-half of one percent.

Table 2
A Tabular Study of the Differential in Net Interest Costs on Small Illinois Issues vs. Reoffering Yields on AA-rated Tax-Exempts

Issues Less than $500,000	Number of Issues with Basis Point Differential of					
	0-24	25-49 B.P.	50-74 B.P.	75-99 B.P.	100 and over	
Average maturity						
Less than 10 years	4	5	3	3	7	
10-15 years	1	2	3	4	0	
Issues Between $500,000 and $1,000,000						
Average maturity						
Less than 10 years	2	5	10	2	1	
10-15 years	1	3	1	1	3	
Total	8	15	17	10	11	66

would have lower differentials than long-term issues. There was, however, an extremely wide range of interest rates between September 1970 and July 1971. The Bond Buyer Index of tax-exempt yields varied from 6.40% in October, to 5% in March and 6.23% in June. Since differences in the timing of these sixty-one issues over this period could account for the range of differentials noted in Table 2, we have compared basis point differentials with the level of rates. These results are summarized in Table 3.

At first glance, there appears to be little relationship: the largest average basis point differential is noted in the relatively low-yield range of 3.5% -- 3.9% for average maturities of less than ten years. This, however, may be misleading. Of the twenty bonds in that cell of the table, twelve were issued in November and December, and the average differential for those twelve bonds was 99 basis points. Our interpretation is that during November and December, a large number of previously displaced issues were finally able to come to the market. The high differentials, the short average maturities, and the large number of issues coming to the market are measures of the amount of rationing that took place in 1969 and early 1970. Once we remove these twelve bonds from the sample, we notice a somewhat more consistent pattern--basis point differentials tend to increase with the level of yields and with maturity. The differential amounts, on average, to 14 percent of the double-A tax-exempt yield.

From these data, we can estimate the interest savings that could be forthcoming from a state financing agency. Consider, first, the sixty-one issues, amounting to nearly $34 million, that were sold during the recent period. These issues had an average maturity of approximately nine years. The toal savings

Table 3

Basis Point Differentials Related to
Level of Yields on AA-Rated Securities

61-Bond Sample

Yield on AA-Rated Bonds	Average Maturity: Less Than 10 Years — Average Differential (Basis Points)	# of Bonds	Ten--Fifteen Years — Average Differential	# of Bonds
3.00-3.49%	40	6	---	---
3.5--3.99%	79	20	53	6
4.0--4.49%	37	7	60	10
4.50--4.99%	57	6	76	6
5.0--5.59%	---	---		
5.5-% and over	---	---		

in interest payments, ΔI, over the life of these issues can be approximated by the product of the amount of the issues, P; the average maturity, M; and the savings in net interest cost (as a percent), ΔNIC:[5]

$$\Delta I = P \times M \times \Delta NIC$$

If we assume that a reasonable range of estimates of the interest savings is between 35 and 75 basis points, then the interest savings over the life of these issues would range between $1 million and $2.2 million. Since the average size of these issues was approximately $500,000, these savings could have provided two and as many as four additional communities with funds at a zero cost. But, as Table 4 indicates, the real advantage of a consolidation of issues is the fact that these interest savings increase each year. This occurs because the "first year" interest savings on the new issues of succeeding years far exceed the reduction in savings that follows from the retirement of outstanding securities. Assuming a constant savings in interest cost of 35 basis points and assuming that $34 million of securities are sold each year, then the annual savings after ten years of operation could approximate over $800,000. Accumulated interest savings will have amounted to over $5 million.

It should be pointed out that these estimates are probably conservative. For example, we have assumed a reduction in net interest costs of 35 basis points, and this understates the savings on longer maturities. It would also imply an average net interest cost over the ten years of 2.50%, which is

---

[5]This is derived from a well-known formula for calculating net interest cost. See, for example, David Ott and Allan Meltzer, Federal Tax Treatment of State and Local Securities (Washington, DC: The Brookings Institution, 1963) pp. 55-57. We are assuming that the savings applies equally to all maturities.

Table 4

Potential Interest Savings Over Time--
Assuming a Reduction in Net Interest Cost of 35 Basis Points

Year	Bond #1 Amount ($mill) Outstanding, Beginning of Year	Bond #1 Interest Savings ($thous)	Bond #2 Amount Outstanding, Beginning of Year	Bond #2 Interest Savings	Bond #3 Amount Outstanding, Beginning of Year	Bond #3 Interest Savings	Total Amount Outstanding	Total Interest Savings
1	$34.	$119.	---	---	----	----	$34.	$119.
2	32.	112.	$34.	$119.	---	---	68.	131.
3	30.	105.	32.	112.	$34.0	$119.0	96.	336.

Total Accumulated Savings: Three years $586.

Ten years $5,390.

Assumptions: We assume bond sales of $34 million each year. Each issue has equal annual maturities, with a 9 year average maturity and a final maturity of 17 years. We assume also that interest savings are equal to 35 basis points on each maturity and we assume annual coupons. Annual interest savings on each issue can be approximated by:

$I_t = \Delta NIC \times P_t$, where I_t = dollar amount of interest savings;
P_t = Principal outstanding at the beginning of year,
ΔNIC = Differential in interest rates, (percent)

quite low relative to the experience of the past two decades. Recall that many small communities were unable to issue longer maturities.

A consolidation bond will allow these communities much more flexibility in tailoring the maturity of their debt to the economic life of their capital, and some projects that would not be undertaken will now become feasible.

There are other savings, in reduced issue costs such as printing, advertisement, etc.; these savings are difficult to quantify, but the reduction of bond sales from sixty-one to one clearly indicates the potential.

In the final analysis, it is difficult to find persuasive arguments against state assistance through the consolidation of small bond issues. In measuring the benefits, and in comparing the alternatives, this is an idea whose time has come.

Technical Appendix

A. Data on Small Bond Issues

We have compiled a list of sixty-one bonds, of less than $1 million, issued by local governments in Illinois between September 1970 and July 1971. This list was restricted to general obligation issues, on which net interest costs were reported in The Daily Bond Buyer. A complete listing is attached.

B. Yield Comparisons

Our original intention was to compare the net interest cost on small Illinois issues with net interest cost of double-A rated bonds issued at the same time and with similar average maturities. However, it became readily apparent that the average maturity of many of the sixty-one small issues was far less than the average maturity of most AA-rated securities.. As an alternative, we used data from The Daily Bond Buyer, on average reoffering yields of AA-rated secutities. These data cover maturities of 5, 10, and 15 years. To derive estimates of the yield differential for bonds with average maturities between these years, we derived a simple average yield for AA-rated issues.

Table 5

Selected Data on 61 Local General Obligation Bond Issues
September 1970 - July 1971

	Date	Issuer	Amount (Thousand)	Purpose [1]	Average Maturity *	Net Interest Cost
	9/8/70	Stephenson County	800	NH	9	4.99%
2.	9/9	Central Area Park District	135	P	6	6.28%
	9/21	Lincolnshire-Prairie View Common S. D. #103	950	S	8	5.29%
	9/22	Skokie Community S. D. #68	275	S	8	5.22%
	9/29	Virginia C. U. S. D. #64	740	S	8	5.23%
	10/13	Lincolnshire	405	W&S	11 1/3	5.88%
	11/6	Onion C. U. S. D. #223	149	S	9	5.02%
8.	11/12	Cool Valley Fire Prot. Dist.	80	B	8	5.11%
	11/16	Collinsville C. U. S. D. #10	780	S	7 ½	4.71%
10.	11/16	Villa Park C. U. S. D. #45	540	WC	3 5/6	4.35%
	11/17	Wilmington	440	W&S	9	5.26%
	11/30	Itasca Park District	400	P	8	4.69%
13.	11/30	Prospect Heights I. S. D. #23	775	S	8	5.01%
	11/30	Skokie Elem. S. D. #73½	700	WC	7	4.28%
15.	12/2	Sherrard C. U. S. D. #200	390	S	9 ½	4.31%
	12/7	Chicago Heights	960	L	15	5.89%
	12/7	Lombard	350	SI	11.5	4.56%
18.	12/8	Freeport Park Dist.	490	P	6 2/3	3.71%
	12/9	Tamaroa C. H. S. D. #102	80	S	7 ½	5.29%
20.	12/10	Glenview Park Dist.	214	P	5	4.08%
	12/10	West Chicago C. S. D. #33	840	S	7 ½	4.12%
	12/14	Mamence C. S. D. #1	985	S	9 ½	4.27%
23.	12/15	Highland Park S. D. #102	860	S	15	5.04%

	Date	Issue	Amount (Thousand)	Purpose[1]	Average Maturity*	Net Interest Cost
	12/15	Lisle	600	S	15	5.80%
25.	12/15	Lisle S. D. #70	770	S	15	5.79%
	12/28	Atkinson C. U. S. D. #233	425	S	15	5.65%
27	12/29	Tinley Park	500	B	12	5.42%
	1/11/71	Maroa-Forsyth C. U. S. D. #2	970	S	9 1/3	4.52%
	1/12	Fox Lake S. D. #114	675	S	9	4.81%
30.	1/18	Byron C. U. S. D. #226	480	S	10 1/3	4.35%
	1/20	East Peoria S. D. #86	295	S	9	4.57%
32.	1/25	Arlington Heights S. D. #25	275	S	4 1/4	3.65%
	1/26	Churchville S. D. #3	75	S	4 1/3	3.63%
	1/26	Ford County Nursing Home	750	NH	11 3/4	4.54%
35.	1/27	Oswego C. U. S. D. #308	1000	S	8 1/6	3.91%
	2/3	Thornton Jr. College Dist. #510	850	WC	3 1/6	3.57%
	2/25	Crystal Lake C. C. S. D. #47	280	S	7 1/6	3.86%
38.	3/8	Wauconda C. U. S. D. #118	110	S	4 5/6	3.50%
	3/22	Zion C. S. D. #6	850	S	8 5/6	4.02%
40.	3/24	Prospect Heights Public Library District	400	L	14	5.27%
41.	3/31	Grant Park U S D #6	900	S	11	4.17%
	4/12	Churchville C. S. D. #3	175	S	13 1/2	5.16%
	4/13	Johnsburg C. S. D. #12	560	S	12 1/6	5.20%
44.	4/13	Sandwich C. U. S. D. #430	500	S	11 5/6	4.64%
	4/19	Pleasant Valley S. D. #62	225	S	11 5/6	5.34%
46.	4/26	La Salle	650	W&S	6	4.12%
	4/27	Fairberry- Cropsey C. U. S. D. #3	1007	S	8 1/6	4.32%

	Date	Issuer	Amount (Thousand)	Purpose[1]	Average Maturity*	Net Interest Cost
48.	4/28	Westmont S. D. #5	300	S	7 1/6	4.45%
	4/29	Breese Elem. S. D. #12	780	S	12½	5.16%
50.	5/4	Beardstown Sanitation Dist.	405	W&S	10	4.74%
	5/18	Salem C. H. S. D. #600	250	S	4 1/6	4.26%
	5/20	Zion-Benton T. S. D. #126	900	S	9 ½	5.25%
53.	5/24	Hinsdale T. H. S. D. #86	750	S	5 ½	4.55%
	5/8	Grant C. C. S. D. #110	360	S	8 1/3	5.62%
55.	6/9	Decatur	795	L	6 ½	4.49%
	6/22	Prairie State Jr. Coll. Dist. #515	500	WC	3 3/4	4.59%
	7/8	Glen Ellyn C. C. S. D. #89	465	S	8 5/6	5.09%
58.	7/12	Downers Grove S. D. #58	178	S	3 1/6	4.25%
59.	7/19	Flossmoor	1000	W&S	8 ½	5.12%
	7/26	Buffalo Grove Park	1000	P	12	6.02%
61.	7/28	Homewood-Flossmoor C. H. S. D. #233	500	S	9 1/6	5.22%

1

NH	=	Nursing Home
P	=	Park
S	=	School Building
L	=	Library
W&S	=	Water
SI	=	Street Improvement
B	=	Building

* Average maturities on issues so marked are not given in the Daily Bond Buyer.

We have purposely tried to over-estimate the average maturity on these issues.

ROLMOR PRESS

NEW ISSUE

In the opinion of Bond Counsel, interest on the 1970 Series A Bonds is exempt under the existing statute and court decisions from Federal income taxes and under the provisions of the Act, the 1970 Series A Bonds and the interest thereon and the income therefrom are exempt from taxation by the State of Vermont, except for transfer, inheritance and estate taxes.

$46,000,000

VERMONT MUNICIPAL BOND BANK

1970 Series A Bonds

Dated: December 1, 1970 Due: December 1, as shown below

Coupon bonds in the denomination of $5,000, registrable as to principal only, and fully registered bonds in denominations of $5,000 or any authorized multiple thereof. Coupon and registered bonds are interchangeable. Principal and semi-annual interest (June 1 and December 1) payable at the corporate trust offices of the Trustee, Bankers Trust Company, New York, New York, or at the option of the holder at The First National Bank of Boston, Boston, Massachusetts or Chittenden Trust Company, Burlington, Vermont.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS OR PRICES

Maturity	Principal Amount	Interest Rate	Yield	Maturity	Principal Amount	Interest Rate	Yield or Price
1971	$1,755,000	4¾%	3.00%	1981	$2,350,000	5%	4.70%
1972	2,480,000	4¾	3.15	1982	2,335,000	5	4.85
1973	2,470,000	4¾	3.30	1983	2,335,000	5	100
1974	2,440,000	4¾	3.50	1984	2,335,000	5.10	100
1975	2,390,000	4¾	3.70	1985	2,350,000	5.20	100
1976	2,395,000	4¾	3.90	1986	2,400,000	5.30	100
1977	2,400,000	5	4.10	1987	2,695,000	5.40	100
1978	2,385,000	5	4.25	1988	2,145,000	5½	100
1979	2,380,000	5	4.40	1989	1,980,000	5½	100
1980	2,390,000	5	4.55	1990	1,590,000	5½	100

(Accrued interest from December 1, 1970 to be added.)

The 1970 Series A Bonds maturing on and after December 1, 1981, shall be redeemable, as a whole or in part, beginning on December 1, 1980 as more fully described in the Official Statement.

These 1970 Series A 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 Messrs. Hawkins, Delafield & Wood, New York, New York, Bond Counsel to the Bank. Certain legal matters will be passed on for the Underwriters by their Counsel, Messrs. Mudge Rose Guthrie & Alexander, New York, New York. It is expected that such Bonds in definitive form will be available for delivery in New York, New York on or about January 8, 1971.

Goldman, Sachs & Co.

December 21, 1970

No dealer, broker, salesman or other person has been authorized by the Bank or the Underwriters to give any information or to make any representations, other than those contained in the Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. The 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 1970 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Bank and from other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the 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 Bank since the date hereof.

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Attention is directed to Appendix A containing definitions of certain terms used in either the Act and/or the Resolution and used in the Official Statement.

VERMONT MUNICIPAL BOND BANK

Montpelier, Vermont

OFFICIAL STATEMENT

Relating to

$46,000,000

VERMONT MUNICIPAL BOND BANK

1970 Series A Bonds

This Official Statement of the Vermont Municipal Bond Bank (the "Bank") is provided for the purpose of setting forth information concerning the Bank; its Bonds (the "Bonds"), more particularly its $46,000,000 1970 Series A Bonds (the "1970 Series A Bonds"); its General Bond Resolution adopted December 21, 1970, authorizing the Bonds (the "Resolution"); and its Series Resolution adopted December 21, 1970, authorizing the 1970 Series A Bonds (the "Series Resolution"). The Resolution and the Series Resolution are sometimes collectively referred to herein as the "Resolutions".

The 1970 Series A Bonds shall be secured under the provisions of the Resolutions and shall be issued in accordance with the provisions of the Resolutions and the Vermont Municipal Bond Bank Law, being Public Act No. 216 of the Laws of Vermont enacted by the General Assembly of the State of Vermont at the 1969 Adjourned Session known as and cited as the Vermont Municipal Bond Bank Law (the "Act"). Additional series of bonds may be issued by the Bank, provided that each additional series will be authorized and secured by a series resolution adopted in accordance with and under the provisions of the Resolution and the Act.

The Act provides that the Bank is constituted as an instrumentality of the State exercising public and essential governmental functions, and the exercise by the Bank of the powers conferred by the Act are deemed to be an essential governmental function of the State.

Pursuant to the provisions of the Act and the Resolutions the Bank has authorized issuance of the Bonds for the purpose, among other things, of providing funds to enable the Bank to lend money to counties, municipalities or public bodies within the State of Vermont ("Governmental Units") by the direct purchase from such Governmental Units of their bonds, notes or evidences of debt payable from ad valorem taxation (the "Municipal Bonds"). The 1970 Series A Bonds are being issued to provide moneys with which to: (i) purchase the $41,230,000 of Municipal Bonds which are indicated in Appendix B annexed hereto; (ii) deposit $4,770,000 in the Reserve Fund established with the Trustee; and (iii) to make certain deposits to other accounts established by the Resolution.

The 1970 Series A Bonds will constitute, in the opinion of Bond Counsel to the Bank, general obligations of the Bank and the full faith and credit of the Bank is pledged for the payment of principal, redemption premium, if any, and interest thereon and such Bonds will be further secured by the pledge of the Municipal Bonds and the amounts paid or required to be paid for principal and interest to the Bank on Municipal Bonds ("Municipal Bonds Payments") and the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the Resolution. As stated in such Bonds pursuant to the Act, the Bank is obligated to pay the principal and interest of the Bonds only from revenues or funds of the Bank and the State of Vermont is not obligated to pay the principal 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 the interest on the Bonds.

The Act provides that in order to assure the maintenance of the Required Debt Service Reserve (as defined specifically in the Resolution—see definition on page 22 hereof) in the Reserve Fund, there shall be appropriated annually and paid to the Bank for deposit in the Fund, such sum as shall be certified by the Chairman of the Bank to the Governor or to the Governor-elect, as is necessary to restore the Fund to an amount equal to the Required Debt Service Reserve. The Chairman 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 Fund to the amount aforesaid, and the sum so certified shall be appropriated and paid to the Bank during the then current State fiscal year.

While the 1970 Series A Bonds and the aforesaid provisions of the Act do not constitute a legally enforceable obligation upon the State of Vermont nor 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 Chairman of the 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 Bank for deposit in the Reserve Fund the amounts appropriated.

THE VERMONT MUNICIPAL BOND BANK

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

Organization and Membership of the Bank

The membership of the Bank consists of five directors: the State Treasurer, who shall be 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. Two directors were appointed to serve until February 1, 1971 and two directors were appointed to serve until February 1, 1972. Each director shall hold office for the term of his appointment and until his successor shall have been appointed and qualified. A director shall be eligible for reappointment. Any vacancy in a directorship occurring other than by expiration of term shall be filled in the same manner as the original appointment, except that the advice and consent of the Senate shall not be required if it is not in session, but for the unexpired term only.

The directors shall elect one of their number as Chairman. The directors shall 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 Bank are vested in the directors thereof and three directors of the Bank shall constitute a quorum. Action may be taken and motions and resolutions adopted by the Bank at any meeting thereof by the affirmative vote of at least three directors of the Bank, including the director *ex-officio.* A vacancy in the directorship of the Bank shall not impair the right of a quorum to exercise all the powers and perform all the duties of the Bank.

Directors

The Bank's membership is as follows:

JAMES C. DAVIS, *Chairman;* term expires January 31, 1971.

Mr. Davis, a resident of St. Albans, is Chairman of the Board of Directors of the Franklin Bank, St. Albans. He has also served as vice president, director and member of the Executive Committee of the Mutual Insurance Company of Burlington since 1946. Mr. Davis was formerly a director and treasurer of the Vermont Development Credit Corporation for the period 1958-1968.

FRANK W. BLACK, *Vice Chairman;* term expires January 31, 1971.

Mr. Black, a resident of Barre Town, is Executive Vice President, chief executive officer and a director of The Peoples National Bank of Barre. He is past president of the Vermont Bankers Association and a former director of the Vermont Development Credit Corporation.

proceeds of the 1970 Series A Bonds and to the validity and enforceability of the respective Loan Agreements entered into by each of the Municipalities.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the 1970 Series A Bonds pursuant to Public Act No. 216 of the Laws of Vermont enacted by the General Assembly of the State of Vermont at the 1969 Adjourned Session known as and cited as the Vermont Municipal Bond Bank Law (herein called "Act"), a General Bond Resolution duly adopted by the Bank and entitled: "A RESOLUTION CREATING AND ESTABLISHING AN ISSUE OF BONDS OF THE VERMONT MUNICIPAL BOND BANK; PROVIDING FOR THE ISSUANCE FROM TIME TO TIME OF SAID BONDS; PROVIDING FOR THE PAYMENT OF PRINCIPAL AND INTEREST OF SAID BONDS, AND PROVIDING FOR THE RIGHTS OF THE HOLDERS THEREOF.", and a Series Resolution duly adopted by the Bank and entitled: "A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF $46,000,000 1970 SERIES A BONDS, OF THE VERMONT MUNICIPAL BOND BANK," said resolutions being herein collectively called the "Resolutions" and that the 1970 Series A Bonds are valid and legally binding general obligations of the Bank for the payment of which, in accordance with their terms, the full faith and credit of the Bank have been legally and validly pledged. The 1970 Series A Bonds, together with all other Bonds hereafter issued by the Bank within the terms, provisions and limitations of the General Bond Resolution, are additionally secured by a pledge and assignment of all Municipal Bonds securing Loans made by the Bank, by a pledge of and lien on the Municipal Bonds Payments, and by a pledge of and lien on the monies and securities in certain funds and accounts, including the General Fund and Reserve Fund, established under said General Bond Resolution, all as provided in said Resolutions.

We are further of the opinion that the Bank in the General Bond Resolution has validly covenanted and will be legally obligated to diligently 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 Bank, including the prompt collection of Municipal Bonds Payments and Fees and Charges, and to make and deliver to the Governor or the Governor-elect of the State of Vermont, in compliance with the provisions of the Act, the certificate stating the amount, if any, required to restore the Reserve Fund to the Required Debt Service Reserve. We are further 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 Chairman of the 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 Bank for deposit in the Reserve Fund the amounts appropriated. The Bank has entered into certain further covenants with the holders of the 1970 Series A Bonds for the terms of which reference is made to the General Bond Resolution.

We are further of the opinion that, under the terms, restrictions and conditions contained in the General Bond Resolution, the Bank may hereafter issue additional series of Bonds on a parity with the 1970 Series A Bonds secured by an equal charge and lien on the Municipal Bonds and Municipal Bonds Payments and payable equally from the General Fund and Reserve Fund.

We are further of the opinion that the interest on the 1970 Series A Bonds is exempt under the existing statute and court decisions from Federal income taxes, and under the provisions of the Act, the 1970 Series A Bonds and the interest thereon and the income therefrom are exempt from taxation by the State of Vermont, except for transfer, inheritance and estate taxes.

Respectfully yours,

Frank H. Davis, *Director ex-officio as Treasurer of the State of Vermont.*

Mr. Davis, a resident of Burlington, is Chairman of the Northeast Regional State Treasurers, Trustee of the State Teachers' Retirement System, the Vermont State Employees' Retirement System and the Vermont State Police and Motor Vehicle Inspectors' Retirement System Funds. He is a former Representative in the State Legislature and former Chairman of the Burlington Housing Authority.

Dr. John T. Fey; term expires January 31, 1972.

Dr. Fey is President of National Life Insurance Company, Montpelier. He formerly served as the dean of the law school at George Washington University, President of both the University of Vermont and the University of Wyoming and as a director of the Federal Reserve Bank of Boston. Dr. Fey currently serves as a director, governor or trustee of several educational and charitable organizations, hospitals, professional groups, and corporations.

Robert T. Gannett; term expires January 31, 1972.

Mr. Gannett, a resident of Brattleboro, is an attorney-at-law. He is a former member of the Vermont General Assembly (1953-1960) and has served on a number of special legislative and Governor's commissions. He is a director of National Life Insurance Company and of Central Vermont Public Service Corporation, trustee of the Brattleboro Retreat, and a past President and Corporator of Brattleboro Memorial Hospital.

Leo K. Hickey, the Deputy State Treasurer, was appointed by the directors and is serving as Secretary and Treasurer of the Bank. He is a former payroll supervisor of the State of Vermont, a former director of Vermont Employees Credit Union, and has served as a member of various financial committees for the State.

General Powers of the Bank

Under the Act the Bank has the following powers for carrying out the purposes of the Act:

(1) To sue and be sued;

(2) To adopt an official seal and alter it at pleasure;

(3) To make and enforce rules for the conduct of its business and for use of its services and facilities;

(4) To maintain an office at any place within the State;

(5) To acquire, hold, use and dispose of its income, revenues, funds and moneys;

(6) To acquire, rent, lease, hold, use and dispose of other personal property for its purposes;

(7) 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;

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

(9) To accept gifts or grants of property, funds, money, materials, labor, supplies or services from the United States of America or from any Governmental Unit or any person, firm or corporation, and to carry out the terms or provisions or make agreements with respect to any gifts or grants, and to do any and all things necessary, useful, desirable or convenient in connection with procuring, acceptance or disposition of gifts or grants;

(10) To do anything authorized by the Act, through its officers, agents or employees or by contracts with any person, firm or corporation;

(11) To enter into and enforce all contracts necessary, convenient or desirable for the purposes of the 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;

(12) To purchase or hold Municipal Bonds at such prices and in such manner as the 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 Bank deems advisable, all consistent with the policy of the State as declared in the legislative findings of the Act;

(13) To invest any funds or moneys of the 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 Resolution limits investments to certain fixed-income securities as hereinafter set forth);

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

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

Supplementary Powers of the Bank

Under the Act the Bank in addition to any other powers granted in the Act has the following powers:

(1) 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 Bank;

(2) 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;

(3) To establish any terms and provisions with respect to any purchase of Municipal Bonds by the 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 Bank;

(4) To conduct examinations and hearings and to hear testimony and take proof, under oath or affirmation, at public or private hearings, on any matter material for its information and necessary to carry out the Act;

(5) To issue subpoenas requiring the attendance of witnesses and the production of books and papers pertinent to any hearing before the Bank, or before one or more of the directors of the Bank appointed by it to conduct the hearing;

(6) To apply to any court, having territorial jurisdiction of the offense, to have punished or contempt any witness who refuses to obey a subpoena, or who refuses to be sworn or affirmed to testify, or who is guilty of any contempt after summons to appear;

(7) To procure insurance against any losses in connection with its property, operations or assets in such amounts and from such insurers as it deems desirable; and

(8) To the extent permitted under its contracts with the holders of bonds or notes of the Bank, to consent to any modification of the rate of interest, time and payment of any installment of principal or interest, security or any other term of bond or note, contract or agreement of any kind to which the Bank is a party.

Prohibited Acts of the Bank

Under the Act the Bank may not:

(1) Make loans of money to any person, firm or corporation other than a government or a governmental agency or subdivision, or purchase securities issued by any person, firm or corporation other than a Governmental Unit or for investment except as provided in the Act, or

(2) Emit bills of credit, or accept deposits of money for time or demand deposit, or administer trust, or engage in any form or manner in, or in the conduct of, any private or commercial banking business, or act as a savings bank or savings and loan association, or

Upon the delivery of the 1970 Series A Bonds, Bond Counsel to the Bank proposes to issue its approving opinion in substantially the following form:

HAWKINS, DELAFIELD & WOOD
67 Wall Street
New York, New York 10005

Vermont Municipal Bond Bank
Montpelier, Vermont

Sirs:

We have examined certified copies of the proceedings of the Vermont Municipal Bond Bank (herein called "Bank"), a body politic and corporate and instrumentality exercising public and essential governmental functions of the State of Vermont, organized and existing under the laws of the State of Vermont and other proofs submitted to us relative to the issuance and sale of

$46,000,000

VERMONT MUNICIPAL BOND BANK

1970 Series A Bonds

The 1970 Series A Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, as follows:

December 1	Principal Amount	Interest Rate	December 1	Principal Amount	Interest Rate
1971	$1,755,000	4¾%	1981	$2,350,000	5 %
1972	2,480,000	4¾	1982	2,335,000	5
1973	2,470,000	4¾	1983	2,335,000	5
1974	2,440,000	4¾	1984	2,335,000	5.10
1975	2,390,000	4¾	1985	2,350,000	5.20
1976	2,395,000	4¾	1986	2,400,000	5.30
1977	2,400,000	5	1987	2,695,000	5.40
1978	2,385,000	5	1988	2,145,000	5½
1979	2,380,000	5	1989	1,980,000	5½
1980	2,390,000	5	1990	1,590,000	5½

The 1970 Series A Bonds are dated December 1, 1970, except as provided in the Resolutions with respect to registered 1970 Series A Bonds. Interest on the 1970 Series A Bonds is payable semi-annually on June 1 and December 1 in each year. The 1970 Series A Bonds are subject to redemption prior to maturity and coupon and registered 1970 Series A Bonds are interchangeable upon the terms and conditions set forth in the Resolutions. The 1970 Series A Bonds are in the form of coupon bonds, in the denomination of $5,000 or in registered form without interest coupons in the denomination of $5,000 or a multiple thereof. The 1970 Series A Bonds are lettered and numbered as follows: coupon 1970 Series A Bonds are lettered A and registered 1970 Series A Bonds are lettered AR; the coupon and registered bonds are numbered separately from one consecutively upwards.

We have also examined one of said 1970 Series A Bonds as executed (Bond No. ....).

We have also examined certain opinions of bond counsel to the Municipalities relative to the validity and enforceability of the Municipal Bonds securing the Loans financed by the Bank from the

LOAN OBLIGATIONS AND RESERVE FUND OBLIGATIONS

	1970 SERIES A BONDS (Loan Obligations Plus Reserve Fund Obligations)			LOAN OBLIGATIONS (Issued to Make Loans to the Municipalities—Equal to Aggregate Municipal Bonds)			RESERVE FUND OBLIGATIONS (Issued to Deposit Approximately 110% of the Required Debt Service Reserve in the Reserve Fund)		
Due December 1	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
1971	$ 1,755,000	$ 2,318,765.00	$ 4,073,765.00	$ 1,745,000	$ 2,068,277.50	$ 3,813,277.50	$ 10,000	$ 250,487.50	$ 260,487.50
1972	2,480,000	2,235,402.50	4,715,402.50	2,340,000	1,985,390.00	4,325,390.00	140,000	250,012.50	390,012.50
1973	2,470,000	2,117,602.50	4,587,602.50	2,315,000	1,874,240.00	4,189,240.00	155,000	243,362.50	398,362.50
1974	2,440,000	2,000,277.50	4,440,277.50	2,295,000	1,764,277.50	4,059,277.50	145,000	236,000.00	381,000.00
1975	2,390,000	1,884,337.50	4,274,377.50	2,270,000	1,655,265.00	3,925,265.00	120,000	229,112.50	349,112.50
1976	2,395,000	1,770,852.50	4,165,852.50	2,270,000	1,547,440.00	3,817,440.00	125,000	223,412.50	348,412.50
1977	2,400,000	1,657,090.00	4,057,090.00	2,265,000	1,439,615.00	3,704,615.00	135,000	217,475.00	352,475.00
1978	2,385,000	1,537,090.00	3,922,090.00	2,255,000	1,326,365.00	3,581,365.00	130,000	210,725.00	340,725.00
1979	2,380,000	1,417,840.00	3,797,840.00	2,250,000	1,213,615.00	3,463,615.00	130,000	204,225.00	334,225.00
1980	2,390,000	1,298,840.00	3,688,840.00	2,240,000	1,101,115.00	3,341,115.00	150,000	197,725.00	347,725.00
1981	2,350,000	1,179,340.00	3,529,340.00	2,220,000	989,115.00	3,209,115.00	130,000	190,225.00	320,225.00
1982	2,335,000	1,061,840.00	3,396,840.00	2,210,000	878,115.00	3,088,115.00	125,000	183,725.00	308,725.00
1983	2,335,000	945,090.00	3,280,090.00	2,210,000	767,615.00	2,977,615.00	125,000	177,475.00	302,475.00
1984	2,335,000	828,340.00	3,163,340.00	2,205,000	657,115.00	2,862,115.00	130,000	171,225.00	301,225.00
1985	2,350,000	709,255.00	3,059,255.00	2,200,000	544,660.00	2,744,660.00	150,000	164,595.00	314,595.00
1986	2,400,000	587,055.00	2,987,055.00	2,175,000	430,260.00	2,605,260.00	225,000	156,795.00	381,795.00
1987	2,695,000	459,855.00	3,154,855.00	2,090,000	314,985.00	2,404,985.00	605,000	144,870.00	749,870.00
1988	2,145,000	314,325.00	2,459,325.00	1,650,000	202,125.00	1,852,125.00	495,000	112,200.00	607,200.00
1989	1,980,000	196,350.00	2,176,350.00	1,290,000	111,375.00	1,401,375.00	690,000	84,975.00	774,975.00
1990	1,590,000	87,450.00	1,677,450.00	735,000	40,425.00	775,425.00	855,000	47,025.00	902,025.00
	$46,000,000	$24,607,037.50	$70,607,037.50	$41,230,000	$20,911,390.00	$62,141,390.00	$4,770,000	$3,695,647.50	$8,465,647.50

(3) Be or constitute a bank or trust company within the jurisdiction or under the control of the Department of Banking and Insurance of the State, or the Commissioner thereof, or the Comptroller of the Currency of the United States of America or the Department of the Treasury, or

(4) Be or constitute a bank, banker or dealer in securities within the meaning of or subject to the provisions of any securities, securities exchange, or securities dealers law, of the United States of America or of the State or of any other state.

THE 1970 SERIES A BONDS

Description

The $46,000,000 1970 Series A Bonds are dated December 1, 1970 (except as otherwise provided in the Resolutions in the case of certain registered 1970 Series A Bonds) and shall mature on December 1 in the years and principal amounts, and bear interest at the rates per annum as follows:

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
1971	$1,755,000	4¾%	1981	$2,350,000	5 %
1972	2,480,000	4¾	1982	2,335,000	5
1973	2,470,000	4¾	1983	2,335,000	5
1974	2,440,000	4¾	1984	2,335,000	5.10
1975	2,390,000	4¾	1985	2,350,000	5.20
1976	2,395,000	4¾	1986	2,400,000	5.30
1977	2,400,000	5	1987	2,695,000	5.40
1978	2,385,000	5	1988	2,145,000	5½
1979	2,380,000	5	1989	1,980,000	5½
1980	2,390,000	5	1990	1,590,000	5½

The coupon 1970 Series A Bonds shall bear interest from December 1, 1970, payable semi-annually on June 1 and December 1 of each year. Registered 1970 Series A Bonds shall bear interest from their date, payable semi-annually on June 1 and December 1. The 1970 Series A Bonds shall be issued in denominations of $5,000 in the case of coupon Bonds, and denominations of $5,000 or any integral multiple thereof, not exceeding the aggregate principal amount of 1970 Series A Bonds maturing in the year of maturity of the Bonds for which the denomination is to be specified, in the case of registered Bonds. The principal or Redemption Price of, and interest on, the coupon 1970 Series A Bonds are payable at the corporate trust offices of the Trustee, Bankers Trust Company, New York, New York or at the option of the holder at The First National Bank of Boston, Boston, Massachusetts or Chittenden Trust Company, Burlington, Vermont, the additional Paying Agents. The interest on all registered 1970 Series A Bonds and the principal or Redemption Price of all registered 1970 Series A Bonds and of all coupon 1970 Series A Bonds registered as to principal shall be payable at the corporate trust office of the Trustee.

Redemption

The 1970 Series A Bonds maturing on or prior to December 1, 1980 shall not be subject to redemption. The 1970 Series A Bonds maturing on and after December 1, 1981 shall be subject to redemption on and after December 1, 1980, at the option of the Bank, in whole on any date, or in part in inverse order of maturity and by lot within a maturity on any interest payment date upon not less than thirty (30) nor more than sixty (60) days' published notice at a Redemption Price (expressed as a percentage of the principal amount of the 1970 Series A Bond or portion thereof to be redeemed) of 100¼% plus ¼ of 1% for each year or fraction thereof from the date of redemption to the respective maturity date for such 1970 Series A Bond, plus in each case interest accrued to the redemption date.

Transfer and Registration

The Resolution provides all coupon Bonds shall pass by delivery, unless registered as to principal other than to bearer. Any coupon Bond may be registered as to principal on the books of the Bank at the corporate trust office of the Trustee, upon presentation thereof at said office. After said registration no transfer thereof shall be valid unless made on such books by the registered owner in person or by his attorney duly authorized in writing, and similarly noted on such Bond; but such Bond may be discharged from registration by being in like manner transferred to bearer, after which it shall again become transferable by delivery. Thereafter, such Bond may again, from time to time, be registered or discharged from registration in the same manner. Registration of any coupon Bond as to principal, however, shall not affect the negotiability by delivery of the coupons appertaining to such Bond, but every such coupon shall continue to pass by delivery and shall remain payable to bearer.

In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the Bank shall execute and the Trustee shall deliver Bonds in accordance with the provisions of the Resolution. For every such exchange or transfer of Bonds, the Bank or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The cost of preparing each new coupon Bond or registered Bond upon each exchange or transfer, and any other expenses of the Bank or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge) shall be paid by the Bank as an Administrative Expense.

SECURITY FOR THE BONDS

The Bank is obligated to pay the principal thereof and the interest on the Bonds only from revenues or funds of the Bank and the State is not obligated to pay the principal or interest and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or the interest on the Bonds. The Bonds are general obligations of the Bank and the full faith and credit of the Bank is pledged for the payment of the principal or Redemption Price of and interest on the Bonds. The Resolution creates a continuing pledge and lien to secure the full and final payment of the principal or Redemption Price of and interest on all of the Bonds issued pursuant to the Resolution.

To secure the payment of the principal or Redemption Price of and interest on the Bonds, the Bank pledges and assigns for the benefit of the Holders of the Bonds and coupons all Municipal Bonds and Municipal Bonds Payments. 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 are pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution. Pursuant to the Resolution the Municipal Bonds and the Municipal Bonds Payments and all other monies and securities in the funds and accounts established by and pledged under the Resolution shall be subject to the lien of such pledge.

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

(i) All moneys appropriated by the State for the purpose of the Fund;

(ii) All proceeds of Bonds required to be deposited therein by terms of any contract between the Bank and its Bondholders or any resolution of the Bank with respect to the proceeds of Bonds; and

(iii) Any other moneys or funds of the Bank which it determines to deposit therein.

Moneys in the Reserve Fund shall be held and applied solely to the payment of the interest on and principal of Bonds of the Bank as they become due and payable and for the retirement of 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, as defined in the Resolution, except for payment of interest then due and payable on Bonds and the principal of Bonds then maturing and payable and for the retirement of Bonds in accordance with the terms of any contract between the Bank and its Bondholders and for which payments other moneys of the Bank are not then available.

Section 4675 of the Act further 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 Bank for deposit in the Fund, such sum as shall be certified by the Chairman of the Bank to the Governor or to the Governor-elect, as is necessary to restore the Fund to an amount equal to the Required Debt Service Reserve. The

APPENDIX B

MUNICIPALITIES AND THEIR MUNICIPAL BONDS

All of the following named Municipalities have executed Loan Agreements, which Loan Agreements shall be executed by the Bank prior to the sale of the 1970 Series A Bonds. Each Loan Agreement provides that simultaneously with the delivery of the Municipality's Bond or Bonds to the Bank, the Municipality shall furnish to the Bank an opinion of bond counsel satisfactory to the Bank which shall set forth among other things the unqualified approval of said Municipality's Bond or Bonds then being delivered to the Bank and that said Municipality's Bond or Bonds will constitute valid general obligations of the Municipality.

Municipality	Municipal Bonds	Serial Bonds Due Annually in Equal or Declining Principal Amounts on December 1* (Years Inclusive)
Berkshire Town School District	$ 260,000	1971 — 1987
Berlin Town School District	520,000	1971 — 1990
Brighton Town School District	370,000	1971 — 1990
Cabot Town School District	430,000	1971 — 1990
Calais Town School District	215,000	1971 — 1990
Castleton Town School District	700,000	1971 — 1990
Charleston Town School District	400,000	1971 — 1990
Charlotte Town School District	300,000	1971 — 1985
Clarendon Town School District	440,000	1971 — 1990
Colchester Town School District	1,500,000	1971 — 1989
Dover Town School District	575,000	1971 — 1990
Essex Town School District	1,235,000	1971 — 1989
Essex Junction Graded School District	3,160,000	1971 — 1987
Grand Isle Town School District	135,000	1971 — 1990
Hartland Town School District	500,000	1971 — 1990
Hinesburg Town School District	450,000	1971 — 1988
Peacham Town School District	90,000	1971 — 1988
St. Albans Town School District	300,000	1971 — 1990
St. Johnsbury Town School District	1,035,000	1972 — 1988
Shelburne Town School District	1,120,000	1971 — 1986
Sherburne Town School District	465,000	1971 — 1990
South Burlington Town School District	1,440,000	1971 — 1987
South Burlington Town School District	440,000	1971 — 1989
Sunderland Town School District	200,000	1971 — 1990
Underhill Graded School District, Inc.	325,000	1972 — 1990
Wilmington Town School District	655,000	1971 — 1989
Braintree-Randolph Union High School District No. 2	970,000	1972 — 1987
Woodstock Union High School District No. 4	870,000	1971 — 1987
Missisquoi Valley Union High School District No. 7	345,000	1971 — 1988
Missisquoi Valley Union High School District No. 7	2,000,000	1971 — 1988
Mt. Mansfield Union High School District No. 17	3,875,000	1972 — 1990
Lamoille Union High School District No. 18	680,000	1971 — 1987
Union High School District No. 26	1,325,000	1971 — 1989
Union High School District No. 28	1,905,000	1971 — 1988
Union High School District No. 30	1,800,000	1971 — 1989
Union High School District No. 32	2,970,000	1972 — 1990
Leland & Gray Union High School District No. 34	1,155,000	1971 — 1990
Green Mountain Union High School District No. 35	2,380,000	1971 — 1989
Village of Essex Junction	90,000	1971 — 1988
Village of Essex Junction	235,000	1971 — 1989
Village of Essex Junction	700,000	1971 — 1990
Village of Ludlow	200,000	1971 — 1990
Village of Lyndonville	285,000	1972 — 1989
Village of Richford	150,000	1971 — 1990
Town of Castleton	425,000	1972 — 1990
Town of St. Johnsbury	710,000	1971 — 1989
Town of West Rutland	520,000	1972 — 1990
City of St. Albans	380,000	1971 — 1989
TOTAL	$41,230,000	

* The Loan Agreements respecting the above listed Municipal Bonds each provide that the Municipality shall make funds available to the Bank for the payment of principal and interest at least five (5) business days prior to the due dates thereof notwithstanding the dates of payment as stated in the Municipal Bonds. None of the above listed Municipal Bonds are redeemable by their terms.

APPENDIX A

DEFINITIONS

The following are definitions of certain of the terms that are used in either the Act and/or the Resolution and used in this Official Statement (but not otherwise defined herein) and have the following meanings unless the context shall clearly indicate some other meaning. In all instances, reference is made to the original documents, and the definitions and usage contained therein.

"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.

"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 pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Bank under the provisions of the Act or the 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.

"Authorized Officer" shall mean any member of the Bank, its Chairman and any other officer or employee of the Bank authorized by resolution of the Bank to perform the act or sign the document in question.

"Bondholder" or *"Holders of Bonds"* or *"Holder"* (when used with reference to Bonds) or any similar term, shall mean any person or party who shall be the bearer of any Outstanding Bond or Bonds registered to bearer or not registered or the registered owner of any Outstanding Bond or Bonds which shall at the time be registered other than to bearer and "Holder" (when used with reference to coupons) shall mean any person who shall be the bearer of such coupons.

"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 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.

"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 December and ending on the last day of the following November.

"Loan" shall mean a loan made by the Bank to the Municipality pursuant to the Act.

"Loan Accounts" shall mean the accounts by that name established by the Resolutions.

"Loan Agreement" shall mean an agreement between the Bank and a Municipality setting forth the terms and conditions of a Loan and more particularly described in the applicable Series Resolution.

"Loan Obligations" shall mean the proportionate amount of Bonds issued by the Bank to obtain funds with which to make Loans as certified to the Trustee by the Bank pursuant to the Resolution.

"Municipal Bonds Interest Payment" shall mean that portion of a Municipal Bonds Payment made or required to be made by a Municipality to the Bank which represents the interest due or to become due on the Municipality's Municipal Bonds.

"Municipal Bonds Principal Payment" shall mean that portion of a Municipal Bonds Payment made or required to be made by a Municipality to the Bank which represents the principal due or to become due on the Municipality's Municipal Bonds.

"Municipality" shall mean any Governmental Unit as defined by the Act.

"Municipality's Allocable Proportion" shall mean the proportionate amount of the total requirement in respect of which the term is used determined by the ratio that the total of the Municipality's Loan Obligations then Outstanding bears to the total of all Loan Obligations then Outstanding.

"Municipality's Loan Obligation" shall mean the proportionate amount of Bonds issued by the Bank for the purpose of obtaining funds to make a Loan to a Municipality as certified to the Trustee by the Bank.

"Notes" shall mean any obligations issued by the Bank other than Bonds or bonds or other obligations.

"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 Resolution and the Series Resolution pursuant to which the same was issued.

"Refunding Issue" shall mean all Bonds delivered on original issuance pursuant to the refunding provisions of the Resolution.

"Reserve Fund Obligations" shall mean the proportionate amount of Bonds issued by the Bank to obtain funds with which to establish the Reserve Fund.

"Required Debt Service Reserve" shall mean, as of any date of calculation, the amount required to be on deposit in the Reserve Fund which amount shall be equal to the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year rounded to the next highest integral multiple of $5,000 on all Loan Obligations then Outstanding as of such date of calculation and shall include the amount of interest then earned or accrued to such date of calculation provided, however, that such amount shall not exceed "maximum debt service reserve" as defined in the Act.

"Series of Bonds" or *"Bonds of a Series"* or words of similar meaning shall mean the Series of Bonds authorized by a Series Resolution.

"Series Resolution" shall mean a resolution of the Bank authorizing the issuance of a Series of Bonds in accordance with the provisions of the Resolution.

"Supplemental Resolution" shall mean a resolution supplemental to or amendatory of the Resolution, adopted by the Bank in accordance with the Resolution.

Chairman 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 Fund to the amount aforesaid, and the sum so certified shall be appropriated and paid to the Bank during the then current State fiscal year.

While the 1970 Series A Bonds and the aforesaid provisions of the Act do not constitute a legally enforceable obligation upon the State of Vermont nor 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 Chairman of the 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 Bank for deposit in the Reserve Fund the amounts appropriated.

LOAN AGREEMENTS AND MUNICIPAL BONDS PAYMENTS

The Loan Agreement under which a Loan is to be made to a Municipality shall 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, prior to or simultaneously with the issuance of Bonds of the Bank issued to make a Loan to the Municipality, shall issue Municipal Bonds which are valid general obligations of the Municipality;

(c) The Municipal Bonds Interest Payments to be made by the Municipality under such Loan Agreement shall be not less than the rate or rates the Bank is required to pay on the Bonds issued by the Bank to obtain the funds from which such Loan is made and shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay interest on the Municipality's Loan Obligations as the same become due;

(d) The Municipal Bonds Principal Payments to be made by the Municipality under such Loan Agreement shall be scheduled by the Bank in such manner and at such times (notwithstanding the dates of payment as stated in the Municipal Bonds) as to provide funds sufficient to pay the principal of the Municipality's Loan Obligations as the same mature;

(e) The Municipality shall be obligated to pay Fees and Charges to the Bank at the times and in the amounts which will enable the Bank to pay the "Fees and Charges" specified below;

(f) The Municipality shall be obligated to make the Municipal Bonds Principal Payments scheduled by the Bank on an annual basis and shall be obligated to make the Municipal Bonds Interest Payments scheduled by the Bank and to pay the Fees and Charges imposed by the Bank on a semi-annual basis; and

(g) The Loan Agreement prohibits the sale or redemption of Municipal Bonds except under certain conditions (summarized hereinafter under the heading "Sale of Municipal Bonds by Bank") and states that no sale or redemption of Municipal Bonds shall be effected without the prior written agreement and consent of the parties to the Loan Agreement.

FEES AND CHARGES

The Bank is authorized in connection with the making of Loans, to 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 such Municipality's Allocable Proportion of other monies available under the provisions of the Resolution and 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:

(a) To pay, as the same become due, the Municipality's Allocable Proportion of the Administrative Expenses of the Bank; and

(b) To pay, as the same become due, the Municipality's Allocable Proportion of the fees and expenses of the Trustee and Paying Agents.

APPLICATION OF 1970 SERIES A BOND PROCEEDS

Each Series Resolution authorizing the issuance of a Series of Bonds is required to specify the purposes for which such Series of Bonds are being issued and to provide for the disposition of the proceeds thereof. Purposes for which Bonds may be issued are (i) the establishment of or the crediting of monies to Loan Accounts, (ii) payments into the Interest Account and the Operating Account or either of such accounts, (iii) payments into the Reserve Fund of any amounts required to be paid thereto in order to establish the Reserve Fund in an amount at least equal to the Required Debt Service Reserve or such larger amount as the Bank shall determine, (iv) the funding of Notes theretofore issued by the Bank to provide funds to make Loans, and (v) the redemption of Bonds and related purposes.

The proceeds of sale of the 1970 Series A Bonds, including the premium to be received thereon (but exclusive of accrued interest which shall be deposited in the Interest Account), shall be used and applied as follows:

For crediting Loan Accounts, an amount equal to Loan Obligations	$41,230,000
For deposit in the Reserve Fund, an amount equal to Reserve Fund Obligations	4,770,000
Principal amount of the 1970 Series A Bonds	$46,000,000
For deposit in the Operating Account to provide for the payment of financing and miscellaneous costs, the total amount of the premium received on the 1970 Series A Bonds	151,500
Total proceeds exclusive of accrued interest	$46,151,500

The deposit in the Reserve Fund is approximately 110% of the maximum amount of principal and interest maturing and becoming due in any succeeding calendar year rounded to the next highest integral multiple of $5,000 on all Loan Obligations.

A list of those Municipalities which have executed Loan Agreements relating to the 1970 Series A Bonds, and the Municipal Bonds of each sold to the Bank is included as Appendix B to this Official Statement. That portion of the total principal amount of 1970 Series A Bonds representing Loan Obligations (such portion equals the aggregate of the Municipal Bonds) and that portion representing 1970 Series A Bonds issued to provide funds for the Reserve Fund are separately detailed as Appendix C hereto.

FUNDS AND ACCOUNTS

Loan Accounts are established with and held by the Trustee. Upon the issuance of each Series of Bonds, the Bank is required to credit to each Loan Account the amount of the proceeds derived from the sale of such Series of Bonds as shall be allocated in the Series Resolution to such Loan Account. Monies credited to a Loan Account shall be used by the Bank only for the purpose of making a Loan to the Municipality to which the Loan Account relates. Payments from Loan Accounts to Municipalities are made by the Trustee upon requisition of the Bank. The monies credited to each Loan Account, including all obligations held as investments thereof and the proceeds of such investments, shall be held in trust and applied only to the making of a Loan to the Municipality to which such Loan Account relates, and are assigned to and pledged to the Trustee, pending such application, for the benefit of the Holders of the Bonds of the Series from which such monies were derived and for the security of the payment of the principal or Redemption Price of and interest on such Bonds, and shall at all times be subject to the lien of such assignment and pledge until paid out and transferred as provided in the Resolution.

In addition to the Loan Accounts hereinabove described, the Resolution establishes the following special Funds and Accounts:

(1) General Fund—held by the Trustee and comprised of the:
- (a) General Account
- (b) Operating Account
- (c) Interest Account
- (d) Principal Account
- (e) Redemption Account

(2) Reserve Fund—held by the Trustee

BONDS AS LEGAL INVESTMENTS

Under the provisions of Section 4623 of the Act, the Bonds, in the State of Vermont, are made 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 now or may hereafter 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 Bank are authorized security for any and all public deposits in the State of Vermont.

TAX EXEMPTION

Interest on the 1970 Series A Bonds is exempt, in the opinion of Hawkins Delafield & Wood, Bond Counsel to the Bank, under the existing statute and court decisions from Federal income taxes, and under the provisions of the Act, the 1970 Series A Bonds and the interest thereon and the income therefrom are exempt from taxation by the State of Vermont, except for transfer, inheritance and estate taxes.

NO LITIGATION

There is no controversy or litigation of any nature now pending, or to the knowledge of the Bank, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 1970 Series A Bonds, or prohibiting the Bank from making the Loans with the proceeds of said Bonds, or in any way contesting or affecting the validity of the 1970 Series A Bonds or any proceedings of the 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 1970 Series A Bonds or the existence or powers of the Bank.

APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance, sale and delivery of the 1970 Series A Bonds are subject to the approval of Messrs. Hawkins, Delafield & Wood, New York City, Bond Counsel to the Bank. All Loans will be made by the Bank subject to the approval of the Municipal Bonds securing the respective Loans and to the validity and enforceability of the respective Loan Agreements entered into by each of the Municipalities by bond counsel to each of the Municipalities and such bond counsel will, at the time of the making of each Loan, provide the Bank with an opinion as to the validity and enforceability of the Municipal Bonds securing the Loan and the Loan Agreement entered into by the Municipality.

All quotations from, and summaries and explanations of, the Act, the Resolution, the Series Resolution and the Loan Agreements contained herein do not purport to be complete and reference is made to said law and Resolutions 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 the Series Resolution may be obtained upon request directed to the Bank or to the Underwriters.

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 Bank and the purchasers or Holders of any of the 1970 Series A Bonds.

VERMONT MUNICIPAL BOND BANK

Dated: December 21, 1970

By: /s/ JAMES C. DAVIS
Chairman

2. **Bonds or coupons 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 and all coupons appertaining to such Bonds 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 publish as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys 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 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 60 days, the Bank shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds and coupons that the deposit required by (b) above has been made with the Trustee and that said Bonds and coupons 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. Neither direct obligations of the United States of America or moneys deposited with the Trustee pursuant to the provision in the Resolution providing for defeasance nor 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 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 at 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 Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons which remain unclaimed for six 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 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 and coupons; provided, however, that before being required to make any such payment to the Bank, the Fiduciary shall, at the expense of the Bank, 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 moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Bank.

AGREEMENT OF THE STATE AND THE 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 Bank that it will not limit or restrict the rights vested in the 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 and 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 Resolution, the Bank covenants that it will not cause the State to take any such action.

GENERAL FUND

General Account

The Resolution provides for the deposit to the General Account of: (i) 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 110% of the Required Debt Service Reserve); (ii) 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 the sum of an amount equal to the proceeds from the sale or redemption of Municipal Bonds; and (iii) the excess of proceeds resulting from a Municipality's redemption of its Municipal Bonds.

The 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 and derived from sources other than Municipal Bonds Interest Payments, will on such interest payment date, be equal to the installment of interest then becoming due on the Bonds representing the Reserve Fund Obligations.

2. After providing for the payment to the Interest Account and on or before each interest payment date, 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 purposes of paying the estimated Administrative Expenses of the Bank due and to become due during such six month period, and to pay the fees and expenses of the Trustee and Paying Agents then due and to become due during such six month period.

3. After providing for the aforementioned withdrawals and as of the last day of each Fiscal Year, 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.

4. After providing for all aforementioned payments required to have been made during each Fiscal Year and as of the last day of each Fiscal Year the Trustee shall withdraw from the General Account and pay to the Bank for any of its lawfully authorized purposes the balance of the monies 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.

Operating Account

The 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: (i) the deposits made to the Operating Account from the General Account as described hereinbefore; and (ii) any other monies which may be made available to the Bank for the purposes of the Operating Account from any source or sources, including the amount received as a premium over the principal amount of a Series of Bonds, to pay: (i) Administrative Expenses of the Bank and the fees and expenses of the Trustee and Paying Ager , and (ii) financing costs 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 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 and specifying that each item is a proper charge against the monies in the Operating Account.

Interest Account and Principal Account

The Resolution provides that the Trustee shall credit to the Interest Account such portion of the Municipal Bonds Payments as shall represent Municipal Bonds Interest Payments, and to the Principal Account such portion of the Municipal Bonds Payments as shall represent Municipal Bonds Principal Payments.

In addition, there shall be transferred as above provided from the General Account and deposited to the Interest Account an amount equal to the installment of interest on the Bonds representing the Reserve Fund Obligations then falling due; and as provided hereafter, the Trustee shall transfer from the Reserve Fund to the Principal Account, on or before the principal payment date of the Bonds, an amount equal to the principal amount of the Bonds representing Reserve Fund Obligations falling due on the applicable principal payment date. In addition to the preceding, accrued interest received from the proceeds of the sale of Bonds shall be deposited to the Interest Account; and the proportionate share of interest amount and principal amount from Refunding Bond proceeds of a Refunding Issue shall be deposited to the appropriate Account. The monies in the Interest Account and the Principal Account shall be used solely for the purposes of paying the principal of and interest on the Bonds.

The 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 Resolution provides that 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. 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 4, 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 110% of the Required Debt Service Reserve and the use or transfer of such excess is not otherwise provided for in the 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; and the Trustee further shall, in connection with each such event, withdraw from the Reserve Fund and deposit in the applicable sub-account in the Redemption Account an amount of monies equal to the amount of the reduction of the Required Debt Service Reserve which would result upon the redemption of such Bonds upon the next succeeding redemption date.

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 moneys which have been previously transferred from the Reserve Fund to the Redemption Account resulting from the retirement of Bonds, there shall be deposited to the credit of the Reserve Fund an amount sufficient (or all of the monies in said sub-accounts if less than the amounts 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 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.

Remedies Not Exclusive

No remedy conferred upon or reserved to the Trustee or to the Holders of the Bonds under the 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 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 Resolution known to the Trustee within ninety (90) days after 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 General 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 RESOLUTIONS AND OUTSTANDING BONDS

The Resolution provides procedures whereby the Bank may amend the 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 per centum (66⅔%) 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 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 or coupons not theretofore surrendered for such payment or redemption.

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 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 unpaid coupon or any Bond unless such coupon or 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 hereunder, 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, actions, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under the 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 per centum (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 herein granted 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 hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Resolution or for any other remedy hereunder or under law. It is understood and intended that no one or more Holders of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution, or to enforce any right hereunder or under law with respect to the Bonds or this Resolution, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Holders of the Outstanding Bonds and coupons. 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 and the coupons pertaining thereto at the respective due dates thereof, and nothing herein shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything 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 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 attorneys' 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 the provisions of this paragraph 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 per centum (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.

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.

On or before the principal payment date of the Bonds, the Trustee shall transfer from the Reserve Fund to the Principal Account an amount equal to the principal amount of the Bonds representing Reserve Fund Obligations falling due on such principal payment date. 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 110% of the Required Debt Service Reserve. If, at any time upon the payment or retirement of Bonds at maturity or upon purchase or redemptions, the monies and securities in the Reserve Fund are in excess of 110% of the Required Debt Service Reserve, and the use or transfer of such excess is not otherwise provided for in the 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. Whenever the Bank shall sell, or whenever a Municipality shall redeem, Municipal Bonds requiring the purchase or redemption of Bonds which would result in the reduction of the Required Debt Service Reserve upon the purchase or redemption of such Bonds, the Trustee shall, in connection with each such event, withdraw from the Reserve Fund and deposit in the applicable sub-account in the Redemption Account an amount of monies equal to the amount of the reduction of the Required Debt Service Reserve which would result upon the redemption of such Bonds upon the next succeeding redemption date.

INVESTMENT OF FUNDS

The 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:

(1) Monies in the General Account shall be invested in direct obligations of the State or obligations of the United States of America or obligations the principal and interest of which are guaranteed by the State or the United States of America, the maturity or redemption date at the option of the holder of which shall not be later than twelve (12) months from the date of investment. short Term

(2) Monies in any Loan Account, the Interest Account, the Principal Account, the Redemption Account and the Operating Account shall be invested in direct obligations of the State or of the United States of America or obligations the principal and interest of which are guaranteed by the State or the United States of America, 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 said accounts will be required for the purposes provided in the Resolution.

(3) Monies in the Reserve Fund shall be invested 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 the Reserve Fund will be required for the purposes provided in the Resolution as follows: (a) direct obligations of the United States of America or obligations the principal and interest of which are guaranteed by the United States of America, (b) any bond, debenture, note, participation or other similar obligation issued by any of the following Federal agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, Farmers' Home Administration and Export-Import Bank, (c) if permitted by law, any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association, and (d) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or held in the State Treasury.

In lieu of the investments of monies above authorized, the Trustee shall upon direction of the Bank in writing signed by an Authorized Officer deposit monies from any fund or account held by the Trustee under