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1 terms or provisions or make agreements with respect to the gifts or
2 grants, and do all things necessary, useful, desirable, or convenient
3 in connection with procuring, accepting or disposing of the gifts or
4 grants;

5 (10) do anything authorized by this chapter, through its
6 officers, agents or employees or by contracts with a person;

7 (11) make, enter into and enforce all contracts necessary,
8 convenient or desirable for the purposes of the bond authority or
9 pertaining to a loan to a political subdivision, a purchase or sale
10 of municipal bonds or other investments, or the performance of its
11 duties and execution of any of its powers under this chapter;

12 (12) purchase or hold municipal bonds at prices and in a
13 manner the bond authority considers advisable, and sell municipal
14 bonds acquired or held by it at prices without relation to cost and in
15 a manner the bond bank authority considers advisable;

16 (13) invest funds or money of the bond authority not required
17 at the time of investment for loan to political subdivisions for the
18 purchase of municipal bonds, in the same manner as permitted for
19 investment of funds belonging to the state, except as otherwise provided
20 in this chapter;

21 (14) prescribe the form of application or procedure required
22 of a political subdivision for a loan or purchase of its municipal
23 bonds, fix the terms and conditions of the loan or purchase, and enter
24 into agreements with political subdivisions with respect to loans or
25 purchases;

26 (15) render services to a political subdivision in connection
27 with a public or private sale of its municipal bonds, including advisory
28 and other services, and charge for services rendered;

29 (16) charge for its costs and services in review or considera-

1 tion of a proposed loan to a political subdivision or purchase by the
2 bond authority of municipal bonds of the political subdivision, whether
3 or not the loan is made or the municipal bonds purchased;

4 (17) fix and establish terms and provisions with respect to
5 a purchase of municipal bonds by the bond authority, including date
6 and maturities of the bonds, provisions as to redemption or payment
7 before maturity, and any other matters which in connection with the
8 purchase are necessary, desirable or advisable in the judgment of the
9 bond authority;

10 (18) procure insurance against any losses in connection with
11 its property, operations or assets in amounts and from insurers as it
12 considers desirable;

13 (19) to the extent permitted under its contracts with the
14 holders of bonds or notes of the bond authority, consent to modification
15 of the rate of interest, time and payment of installment of principal
16 or interest, security or any other term of a bond or note, contract or
17 agreement of any kind to which the bond authority is a party; and

18 (20) do all acts and things necessary, convenient, or desir-
19 able to carry out the powers expressly granted or necessarily implied
20 in this chapter.

21 Sec. 44.58.100. LIMITATIONS. Under this chapter the bond authority
22 may not

23 (1) make loans of money to a person, firm or corporation
24 other than a political subdivision, or purchase securities issued by a
25 person, other than a political subdivision, except for investment as
26 provided in this chapter;

27 (2) emit bills of credit, accept deposits of money for time
28 or demand deposit, administer trusts, or engage in any form or manner
29 in, or in the conduct of, a private or commercial banking business, or

1 act as a savings bank or savings and loan association;

2 (3) be or constitute a bank or trust company within the
3 jurisdiction or under the control of a regulatory or supervisory board
4 or department of the state, or the Comptroller of the Currency of the
5 United States, or the Department of the Treasury, or Federal Reserve
6 Board of the United states; or

7 (4) be or constitute a bank, banker or dealer in securities
8 within the meaning of or subject to the provisions of securities,
9 securities exchange, or securities dealers law, of the United States
10 or of t is state or of another state.

11 Sec. 44.58.110. ANNUAL REPORT AND AUDIT. Before October 1 of
12 each year the bond authority shall make a report of its activities for
13 the preceding fiscal year to the governor and to the legislature. The
14 report shall set out a complete operating and financial statement
15 covering its operations during the year. The bond authority shall
16 cause an audit of its books and accounts to be made at least once in
17 each year by certified public accountants and the cost of the audit
18 shall be considered an expense of the bond authority and a copy of the
19 audit shall be filed with the commissioner of revenue.

20 Sec. 44.58.120. ANNUAL BUDGET. (a) Not later than January 1 of
21 each year the bond authority shall adopt an annual budget for the
22 succeeding fiscal year. The budget shall set out the general categories
23 of expected expenditures and the amount on account of each and shall
24 include a provision or reserve for contingencies and overexpenditures
25 as well as any additional material as the bond authority may determine.
26 Copies of the annual budget certified by the chairman of the bond
27 authority shall be promptly filed with the commissioner of community
28 and regional affairs, and the annual budget shall not be effective
29 until filed.

1 (b) The bond authority may at any time adopt an amended annual
2 budget for the current fiscal year, but the amended annual budget may
3 not supersede any prior budget until the amended budget is approved by
4 the commissioner of community and regional affairs as reasonable and
5 necessary and filed as required in the case of the annual budget.

6 Sec. 44.58.130. CARE AND CUSTODY OF BONDS. The bond authority
7 may enter into agreements or contracts with a bank, trust company,
8 banking or financial institution inside or outside the state as may be
9 necessary, desirable or convenient in the opinion of the bond authority
10 for rendering services in connection with the care, custody or safe-
11 keeping of municipal bonds or other investments held or owned by the
12 bond authority, and services in connection with the payment or collec-
13 tion of amounts payable as to principal or interest, and for services
14 in connection with the delivery to the bond authority of municipal
15 bonds or other investments purchased by it or sold by it, and to pay
16 the cost of those services. The bond authority may also, in connection
17 with any of the services to be rendered by a bank, trust company or
18 banking or financial institution as to the custody and safekeeping of
19 its municipal bonds or investments, require security in the form of
20 collateral bonds, surety agreements or security agreements in such
21 form and amount as, in the opinion of the bond authority, is necessary
22 or desirable.

23 Sec. 44.58.140. EFFECT OF OBLIGATIONS. (a) Bonds and notes
24 issued under this chapter are not a debt or liability of the state and
25 do not create or constitute an indebtedness, liability or obligation
26 of the state, nor do they constitute a pledge of the faith and credit
27 of the state. All bonds and notes issued under this chapter, unless
28 funded or refunded by bonds or notes of the bond authority, are
29 general obligations of the authority to which the full faith and

1 credit of the authority are pledged to the payments of them, except to
2 the extent provided by the resolution authorizing the issuance of them.
3 Each bond and note must contain on its face a statement to the effect
4 that the bond authority is obligated to pay the principal and interest
5 on the instrument only from revenues or funds of the bond authority and
6 that the state is not obligated to pay the principal or interest and
7 that neither the faith and credit nor the taxing power of the state is
8 pledged to the payment of the principal of or the interest on the bond
9 or note.

10 (b) The state pledges to and agrees with the holders of the
11 bonds or notes issued under this chapter that the state will not limit
12 or restrict the rights vested in the bond authority to purchase,
13 acquire, hold, sell or dispose of municipal bonds or other investments
14 or to make loans to political subdivisions or to establish and collect
15 fees or other charges convenient or necessary to produce sufficient
16 revenues to meet the expenses of operation of the bond authority and
17 to fulfill the terms of any agreement made with the holders of its
18 bonds or notes or in any way impair the rights or remedies of the
19 holders of the bonds or notes until the bonds and notes, together with
20 the interest on the bonds and notes, and interest on unpaid install-
21 ments of interest, and all costs and expenses in connection with an
22 action or proceeding by or on behalf of the holders, are fully met,
23 paid and discharged.

24 Sec. 44.58.150. NEGOTIABILITY OF BONDS OR NOTES. Notwithstanding
25 other provisions of law, a bond or note issued under this chapter is
26 fully negotiable for all purposes of the Uniform Commercial Code
27 (AS 45.05), and a holder or owner of a bond or note, or of a coupon
28 appurtenant to it, by accepting the bond, note or coupon is conclusively
29 considered to have agreed that the bond, note or coupon is fully

1 negotiable for all purposes of the Uniform Commercial Code.

2 Sec. 44.58.160. BONDS OR NOTES AS LEGAL INVESTMENTS. Notwith-
3 standing the restrictions of any other law, all banks, trust companies,
4 savings banks and institutions, building and loan associations, savings
5 and loan associations, investment companies, and other persons carrying
6 on a banking business, all insurance companies, insurance associations,
7 and other persons carrying on an insurance business, and all executors,
8 administrators, guardians, trustees and other fiduciaries, may legally
9 invest sinking funds, money or other funds belonging to them or within
10 their control in bonds or notes issued under this chapter.

11 Sec. 44.58.170. TAX EXEMPTION. All property of the bond authority
12 is public property devoted to an essential public and governmental
13 function and purpose and is exempt from all taxes and special assess-
14 ments of the state or a political subdivision of the state. All bonds
15 or notes issued under this chapter are issued by a body corporate and
16 public of this state and for an essential public and governmental
17 purpose and the bonds and notes, and the interest and income on and
18 from the bonds and notes, and all fees, charges, funds, revenues,
19 income and other money pledged or available to pay or secure the
20 payment of the bonds or notes, or interest on the bonds or notes, are
21 exempt from taxation except for transfer, inheritance and estate
22 taxes.

23 Sec. 44.58.180. LOANS TO POLITICAL SUBDIVISIONS. The bond
24 authority, to carry out the purposes and policies of this chapter, is
25 authorized to lend money to political subdivisions through the purchase
26 by the bond authority of municipal bonds of political subdivisions
27 in fully marketable form. The bond authority, for this purpose, may
28 issue its bonds and notes payable solely from the revenues or funds
29 available to the bond authority for such payment and may otherwise

1 assist political subdivisions as provided in this chapter.

2 Sec. 44.58.190. ISSUANCE OF BONDS AND NOTES. (a) The bond
3 authority may issue its bonds or notes in such principal amounts as it
4 considers necessary to provide funds for any purposes under this
5 chapter, including

6 (1) the purchase of municipal bonds;

7 (2) the making of loans through the purchase of municipal
8 bonds;

9 (3) the payment, funding or refunding of the principal of,
10 or interest or redemption premiums on, bonds or notes issued by it
11 whether the bonds or notes or interest to be funded or refunded have
12 or have not become due;

13 (4) the establishment or increase of reserves to secure or
14 to pay bonds or notes or interest on bonds or notes and all other costs
15 or expenses of the bond authority incident to and necessary or conveni-
16 ent to carry out its corporate purposes and powers.

17 (b) Except as otherwise provided in this chapter or by the bond
18 authority, every issue of bonds or notes shall be general obligations
19 payable out of the revenues or funds of the bond authority, subject
20 only to agreements with the holders of particular bonds or notes
21 pledging a particular revenue or fund. Bonds or notes may be addi-
22 tionally secured by a pledge of a grant or contributions from the
23 United States or the state or a political subdivision or a person,
24 firm or corporation, or a pledge of income or revenues, funds or money
25 of the bond authority from any source whatsoever.

26 Sec. 44.58.200. FORM OF ISSUANCE. Bonds or notes of the bond
27 authority shall be authorized by resolution of the bond authority and
28 may be issued in one or more series and shall bear the date, mature at
29 the time, bear interest at the rate of interest each year or within a

1 maximum rate, be in the denomination, be in the form, either coupon or
2 registered, carry the conversion or registration privileges, have the
3 rank or priority, be executed in the manner, be payable from the
4 sources in the medium of payment at the place inside or outside the
5 state, and be subject to the terms of redemption, with or without
6 premium, as the resolution of the bond authority provides.

7 Sec. 44.58.210. SALE PRICE. Bonds or notes of the bond authority
8 may be sold at public or private sale at the price the bond authority
9 determines.

10 Sec. 44.58.230. PAYMENT OR REFUNDING OF NOTES. The bond author-
11 ity may from time to time issue its notes under this chapter and pay
12 and retire or fund or refund the notes from proceeds of bonds or of
13 other notes, or from other funds or money of the bond authority avail-
14 able for that purpose in accordance with a contract between the bond
15 authority and the holders of the notes.

16 Sec. 44.58.240. TERMS OF AGREEMENT WITH THE BOND OR NOTEHOLDER.
17 In a resolution of the bond authority authorizing, or relating to the
18 issuance of bonds or notes, the bond authority, in order to secure the
19 payment of the bonds or notes and in addition to its other powers, may
20 covenant and contract with the holders of the bonds or notes

21 (1) to pledge to a payment or purpose all or a part of its
22 revenues to which its right then exists or may thereafter come into
23 existence, and the money derived from the revenues, and the proceeds
24 of any bonds or notes;

25 (2) to covenant against pledging all or a part of its
26 revenues, or against permitting or suffering a lien on those revenues
27 or its property;

28 (3) to covenant as to the use and disposition of payments
29 of principal or interest received by the bond authority on municipal

1 bonds or other investments held by the bond authority;

2 (4) to covenant as to establishment of reserves or sinking
3 funds, the making of provision for them, and the regulation and dis-
4 position of the reserves or sinking funds;

5 (5) to covenant with respect to or against limitations on
6 a right to sell or otherwise dispose of property of any kind;

7 (6) to covenant as to bonds and notes to be issued, and their
8 limitations, terms and conditions, and as to their custody, and as to
9 the application and disposition of the proceeds of the bonds and notes;

10 (7) to covenant as to the issuance of additional bonds or
11 notes or as to limitations on the issuance of additional bonds or
12 notes and on the incurring of other debts by it;

13 (8) to covenant as to the payment of the principal of or
14 interest on the bonds or notes, as to the sources and methods of
15 payment, as to the rank or priority of bonds or notes with respect
16 to a lien or security or as to the acceleration of the maturity of
17 any bonds or notes;

18 (9) to provide for the replacement of lost, stolen, destroyed
19 or mutilated bonds or notes;

20 (10) to covenant against extending the time for the payment
21 of bonds or notes or interest on the bonds or notes;

22 (11) to covenant as to the redemption of bonds or notes and
23 privileges of their exchange for other bonds or notes of the bond
24 authority;

25 (12) to covenant as to charges to be established and charged,
26 the amount to be raised each year or other period of time by charges
27 or other revenues and as to the use and disposition to be made of the
28 charges or other revenues;

29 (13) to covenant to create or authorize the creation of

1 special funds or money to be held in pledge or otherwise for operating
2 expenses, payment or redemption of bonds or notes, reserves or other
3 purposes and as to the use and disposition of the money held in those
4 funds;

5 (14) to establish the procedure, if any, by which the terms
6 of a contract or covenant with or for the benefit of the holders of
7 bonds or notes may be amended or abrogated, the amount of bonds or
8 notes the holders of which must consent to amendment or abrogation, and
9 the manner in which the consent may be given;

10 (15) to covenant as to the custody of any of its property
11 or investments, their safekeeping and insurance, and the use and dis-
12 position of insurance money;

13 (16) to covenant as to the time or manner of enforcement or
14 restraint from enforcement of any rights of the bond authority arising
15 by reason of or with respect to nonpayment of the principal or interest
16 of a municipal bond;

17 (17) to provide for the rights and liabilities, powers and
18 duties arising upon the breach of any covenant, condition or obligation
19 and to prescribe the events of default and the terms and conditions
20 upon which any or all of the bonds, notes or other obligations of the
21 bond authority become or may be declared due and payable before
22 maturity and the terms and conditions upon which the declaration and
23 its consequences may be waived;

24 (18) to vest in a trustee inside or outside the state such
25 property, rights, powers and duties in trust as the bond authority may
26 determine, which may include any of the rights, powers and duties of
27 a trustee appointed by the holders of the bonds or notes, and to limit
28 or abrogate the right of the holders of the bonds or notes of the
29 bond authority to appoint a trustee under this chapter or limit the

1 rights, powers and duties of the trustee;

2 (19) to pay the costs or expenses incident to the enforcement
3 of the bonds or notes or of the resolution or of a covenant or agree-
4 ment of the bond authority with the holders of its bonds or notes;

5 (20) to agree with a corporate trustee which may be a trust
6 company or bank having the powers of a trust company inside or outside
7 the state, as to the pledging or assigning of revenues or funds in
8 which the bond authority has a right or interest, and may further
9 provide for such other rights and remedies exercisable by the trustee
10 as may be proper for the protection of the holders of bonds or notes
11 of the bond authority and not otherwise in violation of law, and the
12 agreement may also provide for the restriction of the rights of an
13 individual holder of bonds or notes of the bond authority;

14 (21) to appoint and to provide for the duties and obligations
15 of a paying agent or paying agents, or other fiduciaries as the resolu-
16 tion may provide inside or outside the state;

17 (22) to limit the rights of the holders of bonds or notes
18 to enforce a pledge or covenant securing bonds or notes; and

19 (23) to make covenants other than and in addition to the
20 covenants expressly authorized in this section, of like or different
21 character, and to make covenants to do or refrain from doing acts and
22 things as may be necessary, or convenient and desirable, in order to
23 better secure bonds or notes or which, in the absolute discretion of
24 the bond authority, will tend to make bonds or notes more marketable,
25 notwithstanding that the covenants, acts or things may not be enumerated
26 in this section.

27 Sec. 44.58.250. PURCHASE AND DISPOSITION OF OWN OBLIGATIONS. The
28 bond authority may purchase bonds or notes of the bond authority out
29 of its funds or money available for the purchase of its own bonds

1 and notes. The bond authority may hold, cancel or resell the bonds or
2 notes subject to and in accordance with agreements with holders of its
3 bonds or notes.

4 Sec. 44.58.260. BOND ANTICIPATION NOTES. Notwithstanding any
5 law applicable to political subdivisions as to the period for temporary
6 financing of a public improvement or purpose by issuance of its notes
7 in anticipation of the issuance of permanent bonds or as to the renewal
8 of bond anticipation notes, the bond authority may purchase and the
9 political subdivision may issue bond anticipation notes and may renew
10 them from time to time; however, the bond anticipation notes, including
11 renewals, shall mature in such amounts and in such years not exceeding
12 five years from the date of the original issuance as is agreed between
13 the bond authority and the political subdivision. In connection with
14 the transaction and purchase of bond anticipation notes, the bond
15 authority may by agreement with the political subdivision impose any
16 terms, conditions and limitations as in its opinion are proper for the
17 purposes and security of the bond authority and the holders of its
18 bonds or notes. The failure of a political subdivision to comply with
19 the agreement constitutes a failure of the political subdivision to
20 pay principal of and interest on the bonds or notes, and the bond
21 authority shall enforce all rights, remedies, and provisions of law as
22 it has under this chapter or are elsewhere provided.

23 Sec. 44.58.270. MARKETABILITY AND CERTIFICATION. All municipal
24 bonds or other investments of money of the bond authority provided for
25 under this chapter must at all times be purchased and held in fully
26 marketable form, subject to provision for a registration in the name
27 of the bond authority. All municipal bonds purchased, held or owned
28 by the bond authority, upon delivery to the bond authority, must be
29 accompanied by all documentation required by the authority.

1 Sec. 44.58.280. PRESUMPTION OF VALIDITY. After issuance, all
2 bonds or notes of the bond authority shall be conclusively presumed
3 to be fully authorized and issued by all the laws of the state, and
4 a person or political subdivision shall be estopped from questioning
5 their authorization, sale, issuance, execution or delivery by the
6 bond authority.

7 Sec. 44.58.290. RESERVE FUND. (a) The bond authority shall
8 establish and maintain a special fund called the "Alaska municipal
9 bond authority reserve fund" in which there shall be deposited

10 (1) all money appropriated by the legislature for the purpose
11 of the fund;

12 (2) all proceeds of bonds required to be deposited in the
13 fund by terms of a contract between the bond authority and its bond-
14 holders or a resolution of the bond authority with respect to the
15 proceeds of bonds; and

16 (3) any other money or funds of the bond authority which
17 it determines to deposit in the fund.

18 (b) Money in the reserve fund shall be held and applied solely
19 to the payment of the interest on and principal of bonds of the bond
20 authority as the interest and principal become due and payable and for
21 the retirement of bonds. Money may not be withdrawn if a withdrawal
22 would reduce the amount in the reserve fund to an amount less than the
23 "required debt service reserve", as defined in this subsection, except
24 for payment of interest then due and payable on bonds and the princi-
25 pal of bonds then maturing and payable and for the retirement of bonds
26 in accordance with the terms of a contract between the bond authority
27 and its bondholders and for which payments of other money of the bond
28 authority is not then available. As used in this subsection, "required
29 debt service reserve" means, as of the date of computation, the greater

1 of the amount required to be on deposit in the reserve fund as pro-
2 vided by resolution of the bond authority or the amount appropriated
3 by the state for deposit in the reserve fund for reasons other than
4 certification under this chapter.

5 (c) Money in the reserve fund in excess of the required debt
6 service reserve as defined in (b) of this section, whether by reason
7 of investment or otherwise, may be withdrawn at any time by the bond
8 authority and transferred to another fund or account of the bond
9 authority.

10 (d) Money in the reserve fund may be invested in the same manner
11 and on the same conditions as permitted for investment of funds belonging
12 to the state or held in the treasury under AS 37.10 ,0; however, the
13 authority may agree with the bondholders to further limit these invest-
14 ments.

15 (e) For purposes of valuation, investments in the reserve fund
16 shall be valued at the lowest cost to the bond authority or market
17 value of the investments. Valuation on a particular date shall include
18 the amount of interest then earned or accrued to that date on the
19 money or investments in the reserve fund subject to the restriction in
20 (h) of this section.

21 (f) Notwithstanding any other provision of this chapter, no
22 bonds may be issued by the bond authority unless there is in the
23 reserve fund the required debt service reserve for all bonds then
24 issued and outstanding and the bonds to be issued; however, the bond
25 authority may satisfy this requirement by depositing so much of the
26 proceeds of the bonds to be issued, upon their issuance, as is needed
27 to achieve the required debt service reserve. The bond authority may
28 at any time issue its bonds or notes for the purpose of increasing the
29 amount in the reserve fund to the required debt service reserve, or to

1 meet such higher or additional reserve as may be fixed by the bond
2 authority with respect to the fund.

3 (g) In order to assure the maintenance of the required debt
4 service reserve in the reserve fund, the legislature shall appropriate
5 annually to the bond authority for deposit in the fund, that sum
6 certified by the chairman of the bond authority to the governor, as is
7 necessary to restore the fund to an amount equal to the required debt
8 service reserve. The chairman shall annually, before January 2, make
9 and deliver to the governor his certificate stating the sum required
10 to restore the fund to that amount, and the sum so certified shall be
11 appropriated and paid to the bond authority during the then current
12 state fiscal year. Nothing in this subsection creates a debt or
13 liability of the state.

14 Sec. 44.58.310. ADDITIONAL FUNDS AND ACCOUNTS. The bond authority
15 may establish additional reserves or other funds or accounts as may
16 be, in its discretion, necessary, desirable, or convenient to further
17 the accomplishment of its purposes or to comply with the provisions of
18 any of its agreements or resolutions.

19 Sec. 44.58.320. APPLICATION OF FUNDS. Money or investments in a
20 fund or account of the bond authority established or held for bonds,
21 notes, indebtedness or liability to be paid, funded, or refunded by
22 issuance of bonds or notes, unless the resolution authorizing the
23 bonds or notes provides otherwise, shall be applied to the payment or
24 retirement of the bonds, notes, indebtedness or liability, and to no
25 other purpose.

26 Sec. 44.58.330. RIGHTS OF HOLDERS PARAMOUNT. In order to carry
27 out its purpose under this chapter of making loans to political sub-
28 divisions, by purchase of the municipal bonds of those political
29 subdivisions, and by receipt of its income from service charges and

1 from payments of interest on the maturing principal of municipal bonds
2 purchased and held by it, and in order to produce revenues or income
3 to the bond authority sufficient at all times to meet its costs and
4 expenses of operation under this chapter and to pay the principal of
5 and interest on its outstanding bonds and notes when due, the bond
6 authority must at all times, and to the greatest extent possible, plan
7 to issue its bonds and notes and lend money to political subdivisions
8 so that the purpose is achieved without in any way jeopardizing any
9 rights of the holders of bonds or notes of the bond authority or
10 affecting other matters under this chapter.

11 Sec. 44.58.340. DEFAULT IN PAYMENT. If the bond authority
12 defaults in the payment of principal or interest on an issue of notes
13 or bonds after they become due, whether at maturity or upon call for
14 redemption, and the default continues for 30 days, or if the bond
15 authority fails or refuses to comply with this chapter or defaults in
16 an agreement made with the holders of an issue of notes or bonds, the
17 holders of 25 per cent in the aggregate principal amount of the out-
18 standing notes or bonds of that issue, by instrument filed in the
19 office of the clerk of the district court of the first judicial dis-
20 trict and executed in the same manner as a deed to be recorded, may
21 appoint a trustee to represent the holders of those notes or bonds for
22 the purposes provided in this chapter.

23 Sec. 44.58.350. POWERS AND DUTIES OF TRUSTEE ON DEFAULT. (a)
24 A trustee appointed under sec. 340 of this chapter may, and shall in
25 his or its name, upon written request of the holders of 25 per cent
26 in principal amount of the outstanding notes or bonds,

27 (1) by mandamus or other suit, action or proceeding at law
28 or in equity, enforce all rights of the noteholders or bondholders,
29 including the right to require the bond authority to collect rates,

1 charges and other fees and to collect interest and amortization pay-
2 ments on municipal bonds and notes held by it adequate to carry out an
3 agreement as to, or pledge of, the rates, charges and other fees and
4 of the interest and amortization payments, and to require the bond
5 authority to carry out any other agreements with the holders of the
6 notes or bonds and to perform its duties under this chapter;

7 (2) bring suit upon the notes or bonds;

8 (3) by action or suit, require the bond authority to account
9 as if it were the trustee of an express trust for the holders of the
10 notes or bonds;

11 (4) by action or suit in equity enjoin anything which may
12 be unlawful or in violation of the rights of the holders of the notes
13 or bonds;

14 (5) declare all the notes or bonds due and payable, and if
15 all defaults are made good, then with the consent of the holders of
16 25 per cent of the principal amount of the outstanding notes or bonds,
17 annul the declaration and its consequences;

18 (6) the trustee shall in addition to the foregoing have all
19 the powers necessary for the exercise of functions specifically set
20 out or incident to the general representation of bondholders or note-
21 holders in the enforcement and protection of their rights.

22 (b) Before declaring the principal of notes or bonds due and
23 payable, the trustee must first give 30 days notice in writing to the
24 governor, the bond authority, the commissioner of community and regional
25 affairs, and the attorney general of the state.

26 Sec. 44.58.360. PERSONAL LIABILITY. Neither a member of the
27 bond authority nor a person executing bonds or notes issued under this
28 chapter is liable personally on the bonds or notes.

29 Sec. 44.58.370. EXEMPTION FROM EXECUTION AND SALE. All property

1 of the bond authority is exempt from levy and sale by virtue of an
2 execution and no execution or other judicial process may issue against
3 the property. A judgment against the bond authority may not be a
4 charge or lien upon its property; however, nothing in this section
5 applies to or limits the rights of the holder of bonds or notes to
6 pursue a remedy for the enforcement of a pledge or lien given by the
7 bond authority on its revenues or other money.

8 Sec. 44.58.380. LIEN OF PLEDGE. A pledge of revenues or other
9 money made by the bond authority is binding from the time the pledge
10 is made. Revenues or other money so pledged and thereafter received
11 by the bond authority are immediately subject to the lien of the
12 pledge without any further act, and the lien of a pledge is binding
13 against all parties having claims of any kind in tort, contract or
14 otherwise against the bond authority, irrespective of whether the
15 parties have notice of the lien. Neither the resolution nor any other
16 instrument by which a pledge is created needs to be filed or recorded
17 except in the records of the bond authority.

18 Sec. 44.58.390. INSURANCE OR GUARANTY. The bond authority may
19 obtain from a department or agency of the United States, or a non-
20 governmental insurer available insurance or guaranty for the payment
21 or repayment of interest or principal, or both, or any part of interest
22 or principal, on bonds or notes issued by the bond authority, or on
23 municipal bonds of political subdivisions purchased or held by the
24 bond authority, and notwithstanding other provisions of this chapter
25 may enter into an agreement or contract with respect to an insurance
26 or guaranty except to the extent that the agreement or contract would
27 not in any way impair or interfere with the ability of the bond authority
28 to perform and fulfill the terms of an agreement made with the holders
29 of the bonds or notes of the bond authority.

1 Sec. 44.58.400. SURETY FOR DEPOSITS BY BANK. All banks, trust
2 companies, savings banks, investment companies and other persons carry-
3 ing on a banking business are authorized to give to the bond authority
4 a good and sufficient undertaking with such sureties as are approved
5 by the bank to the effect that the bank or banking institution shall
6 faithfully keep and pay over to the order of or upon the warrant of
7 the bond authority or its authorized agent all such funds deposited
8 with it by the bank and agreed interest under or by reason of this
9 chapter, at such times or upon such demands as may be agreed with the
10 bank or in lieu of these sureties, deposit with the bond authority or
11 its authorized agent or a trustee or for the holders of bonds, as
12 collateral, those securities as the bond authority may approve. The
13 deposits of the bond authority may be evidenced by an agreement in
14 that form and upon those terms and conditions as may be agreed upon by
15 the bond authority and the depository bank or banking institution.

16 Sec. 44.58.410. EXPENSES OF ADMINISTRATION. All expenses incurred
17 in carrying out this chapter are payable solely from revenues or funds
18 provided under this chapter and nothing in this chapter authorizes the
19 bond authority to incur an indebtedness or liability on behalf of or
20 payable by the state.

21 Sec. 44.58.420. COOPERATION BY GOVERNMENT AGENCIES. All officers,
22 departments, boards, agencies, divisions and commissions of the state
23 must render services to the bond authority that are within the area of
24 their respective governmental functions and as may be requested by the
25 bond authority and must comply promptly with any reasonable request by
26 the bond authority relating to making of a study or review as to
27 desirability, need, cost or expense, or financial feasibility with
28 respect to a public project, purpose or improvement, or the financial
29 or fiscal responsibility or ability of a political subdivision making

1 application for loan to the bond authority and for the purchase by the
2 bond authority of municipal bonds to be issued by that political
3 subdivision. The cost and expense of a service requested by the bond
4 authority, at the request of the officer, department, board, agency,
5 division or commission rendering the service, shall be paid by the
6 bond authority.

7 Sec. 44.58.430. DEFINITIONS. In this chapter, unless the context
8 clearly requires otherwise,

9 (1) "bond authority" means the Alaska Municipal Bond Author-
10 ity established by sec. 20 of this chapter;

11 (2) "bonds" means bonds of the bond authority issued under
12 this chapter;

13 (3) "municipal bond" means a bond or note or evidence of
14 debt which constitutes a direct and general obligation of a political
15 subdivision of the state all the taxable property within which is
16 subject to taxation to pay the bond, note or evidence of debt, and the
17 interest without limitation as to rate or amount;

18 (4) "political subdivision" means a city or organized
19 borough, and also means a unified municipality organized under AS 29.-
20 85;

21 (5) "notes" means notes of the bond authority issued
22 under this chapter;

23 (6) "public body" means a public body corporate and politic
24 or a political subdivision of the state established under any law of
25 the state which may issue municipal bonds;

26 (7) "reserve fund" means the Alaska municipal bond reserve
27 fund established under sec. 290 of this chapter;

28 (8) "revenues" means all fees, charges, money, profits,
29 payments of principal of or interest on municipal bonds and other

1 investments, gifts, grants, contributions, appropriations and all
2 other income derived or to be derived by the bond authority under this
3 chapter.

4 Sec. 44.58.440. SHORT TITLE. This chapter may be cited as the
5 Alaska Municipal Bond Authority Act.

6 * Sec. 2. This Act takes effect on the day after its passage and approval
7 or on the day it becomes law without approval.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

DIVISION OF LOCAL GOVERNMENT ASSISTANCE

POUCH B- JUNEAU 99801

WILLIAMA EGAN, GOVERNOR

April 11, 1974

Mr. Jay Hogan
Division of Legislative Finance
Pouch WF
Juneau, Alaska 99801

Dear Mr. Hogan:

Re: CSHB 695

You have asked for our analysis of costs associated with conduct of the affairs of the Municipal Bond Authority proposed by CSHB 695.

We see the Authority's expenses as generally involving:

- (1) travel and costs related to activities of the directors of the Authority;
- (2) funded positions for an executive director and clerical assistance, including essential travel and support;
- (3) expenses of financial consultants, bond counsel and similar services provided by personnel on contract;
- (4) publishing, printing and related costs.

It was anticipated that, until such time as the number of municipal issues warranted and supported essential personnel, the duties of the executive director, clerical and support services would be provided by personnel employed within the executive department of which the Authority is a part, that no additional positions to discharge only the functions of the Authority would be requested. The subsequent recommendation by the House Finance Committee to deny additional positions requested in the Governor's budget submission for the Department of Community and Regional Affairs suggests that the services of one or more Department personnel to execute these responsibilities could not be undertaken without detracting from staff attention to other areas of program responsibility.

Mr. Jay Hogan

-2-

April 11, 1974

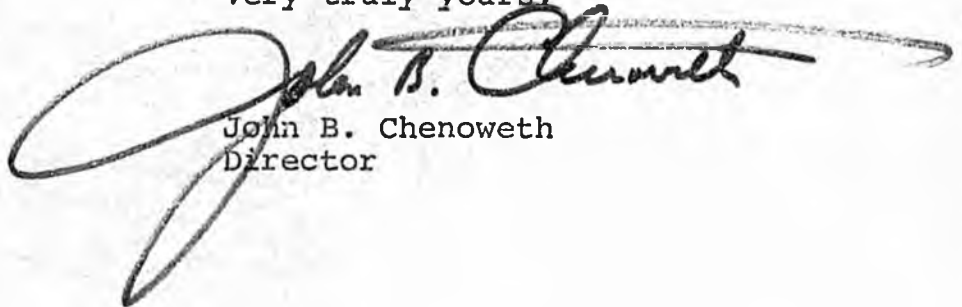
From interest earned on the investment of the reserve fund should derive a sum sufficient to cover overhead associated with travel of directors and regular support services required after the first or, perhaps, second sale of the bonds of the Authority. I note, however, that absent an invested reserve fund, there are no dollars available to cover "start-up" costs. Such expenses, absent an appropriation, would be funded from other sources authorized. In the alternative, please consider the Maine example wherein the Legislature of that state loaned a small sum to its Authority to meet these initial costs, recovering the loan proceeds from the interest returned on the reserve established following the initial sale of the Authority's bonds.

It is expected that items (3) and (4)--consultant's services and publication and related costs--are to be recovered pro rata from fees charged to participating municipalities.

Assuming that expenses may be offset generally in the manner described, it would be necessary only that the Authority annually seek of the Legislature a sum sufficient to restore that portion of the reserve fund from which a pro rata payment of principal and interest on the Authority's own bonds has been made whenever a participating municipality has been unable to make the required debt service payment in a given year.

Assuming also adequate "in-house" staffing to meet obligations associated with the initial year or years of the Authority's operations, the work of the Authority thereafter is to be self-supporting, AS 44.58.410, excepting that the Legislature would have a "moral obligation" to make an annual appropriation, as necessary, to restore the reserve fund as required under AS 44.58.290(g).

Very truly yours,



John B. Chenoweth
Director

JBC:bg

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, because 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 because 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

¹David 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

²John 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} in new bond issues during 1969. This is \$1.5^{billions} 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 Issues (Years)	Percent of Issues Rated A/ as above	
	(1)	(2)	(3)	(4)	(5)	Small Issues (6)	All Illinois Issues (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.

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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 points⁴ 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

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 total 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-----			
	<u>Less Than 10 Years</u> Average Differential (Basis Points)	<u># of</u> Bonds	<u>Ten--Fifteen Years</u> Average Differential	<u># of</u> 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

⁵This 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-----		---Bond #2----		---Bond #3-----		---Total-----	
	Amount (\$mill) Outstanding, Beginning of Year	Interest Savings (\$thous)	Amount Outstanding, Beginning of Year	Interest Savings	Amount Outstanding, Beginning of Year	Interest Savings	Amount Outstanding	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:

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

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 Dist. 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 securities. 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
1.	9/8/70	Stephenson County	800	NH	9	4.99%
2.	9/9	Central Area Park District	135	P	6	6.28%
3.	9/21	Lincolnshire-Prairie View Common S. D. #103	950	S	8	5.29%
4.	9/22	Skokie Community S. D. #68	275	S	8	5.22%
5.	9/29	Virginia C. U. S. D. #64	740	S	8	5.23%
6.	10/13	Lincolnshire	405	W&S	11 1/3	5.88%
7.	11/6	Orion C. U. S. D. #223	149	S	9	5.02%
8.	11/12	Cool Valley Fire Prot. Dist.	80	B	8	5.11%
9.	11/16	Collinsville C. U. S. D. #10	780	S	7 1/2	4.71%
10.	11/16	Villa Park C. U. S. D. #45	540	WC	3 5/6	4.35%
11.	11/17	Wilmington	440	W&S	9	5.26%
12.	11/30	Itasca Park District	400	P	8	4.69%
13.	11/30	Prospect Heights I. S. D. #23	775	S	8	5.01%
14.	11/30	Skokie Elem. S. D. #73 1/2	700	WC	7	4.28%
15.	12/2	Sherrard C. U. S. D. #200	390	S	9 1/2	4.31%
16.	12/7	Chicago Heights	960	L	15	5.89%
17.	12/7	Lombard	350	SI	11.5	4.56%
18.	12/8	Freeport Park Dist.	490	P	6 2/3	3.71%
19.	12/9	Tamaroa C. H. S. D. #102	80	S	7 1/2	5.29%
20.	12/10	Glenview Park Dist.	214	P	5	4.05%
21.	12/10	West Chicago C. S. D. #33	810	S	7 1/2	4.12%
22.	12/14	Mamence C. S. D. #1	685	S	9 1/2	4.27%
23.	12/15	Highland Park S. D. #102		S	15	5.01%

Date	Item	Amount (Thousand)	Pur.	Mo ¹	Average Maturity [*]	Net Interest Cost
12/15	Little	600	S		15	5.88%
12/15	Little S. D. #70	770	S		15	5.79%
12/28	Atkinson C. U. S. D. #233	425	S		15	5.65%
12/29	Tinley Park	500	B		12	5.42%
1/21/71	Marion-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%
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%
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%
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%
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%
3/24	Prospect Heights Public Library District	400	L		14	5.27%
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%
4/13	Sandwich C. U. S. D. #130	500	S		11 5/6	4.64%
4/19	Pleasant Valley S. D. #62	225	S		11 5/6	5.34%
4/26	La Salle	650	W&S		6	4.12%
4/27	Fairberry-Craprey C. U. S. D. #3	1007	S		8 1/6	4.22%

	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%
49.	4/29	Breece Elem. S. D. #12	780	S	12 1/2	5.16%
50.	5/4	Beardstown Sanitation Dist.	405	W&S	10	4.74%
51.	5/18	Salem C. H. S. D. #600	250	S	4 1/6	4.26%
52.	5/20	Zion-Benton T. S. D. #126	900	S	9 1/2	5.25%
53.	5/24	Hinsdale T. H. S. D. #86	750	S	5 1/2	4.55%
54.	5/8	Grant C. C. S. D. #110	360	S	8 1/3	5.62%
55.	6/9	Decatur	795	L	6 1/2	4.49%
56.	6/22	Prairie State Jr. Coll. Dist. #515	500	WC	3 3/4	4.59%
57.	7/8	Clen 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 1/2	5.12%
60.	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.

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

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
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

Statements herein, while not guaranteed, are based upon information which we believe to be reliable.

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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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 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.

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

(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	4 $\frac{3}{4}$ %	1981	\$2,350,000	5 %
1972	2,480,000	4 $\frac{3}{4}$	1982	2,335,000	5
1973	2,470,000	4 $\frac{3}{4}$	1983	2,335,000	5
1974	2,440,000	4 $\frac{3}{4}$	1984	2,335,000	5.10
1975	2,390,000	4 $\frac{3}{4}$	1985	2,350,000	5.20
1976	2,395,000	4 $\frac{3}{4}$ 4 $\frac{3}{4}$	1986	2,400,000	5.30
1977	2,400,000	5 4 $\frac{3}{4}$	1987	2,695,000	5.40
1978	2,385,000	5	1988	2,145,000	5 $\frac{1}{2}$
1979	2,380,000	5	1989	1,980,000	5 $\frac{1}{2}$
1980	2,390,000	5	1990	1,590,000	5 $\frac{1}{2}$

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 percent age of the principal amount of the 1970 Series A Bond or portion thereof to be redeemed) of 100 $\frac{1}{4}$ % plus $\frac{1}{4}$ 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 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

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	<u>\$46,000,000</u>
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	<u><u>\$46,151,500</u></u>

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

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 Agents, 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.

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

the terms of the Resolution, in interest-bearing time deposits, or shall make other similar banking arrangements, with itself or a member bank or banks of the Federal Reserve System or banks the deposits of which are insured by the Federal Deposit Insurance Corporation; provided, that no monies in such funds or accounts shall be so deposited unless the recipient of such deposit shall certify in writing to the Bank and the Trustee, upon the making of each such deposit or arrangement, that the interest to be earned thereon will be in excess of the interest, income or increment that would be earned by the investment of such monies in accordance with the requirements of paragraphs (1), (2) and (3) above in direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the State or the United States of America at the then current market prices; provided further, that each such interest-bearing time deposit or other similar banking arrangement shall permit the monies so placed to be available for use at the times provided with respect to the investment or reinvestment of such monies; and provided further, that all monies in each such interest-bearing time deposit or other similar banking arrangement shall be continuously and fully secured by direct obligations of the United States of America or of the State or obligations the principal and interest of which are guaranteed by the State or the United States of America, of a market value equal at all times to the amount of the deposit or of the other similar banking arrangement.

ISSUANCE OF ADDITIONAL BONDS

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

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

(a) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and Notes of the Bank theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;

(b) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the Resolution or any Series Resolution to be paid into the General Fund and into the Reserve Fund;

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

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

(e) the maturities of the additional Bonds then being issued representing Loan Obligations, unless such additional Bonds are being issued to refund Outstanding Bonds, shall be proportionate to the scheduled Municipal Bonds Principal Payments to be made in respect of the Loans with respect to which such additional Bonds are to be issued.

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

ISSUANCE OF REFUNDING BONDS

The Resolution provides that: (1) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all but not less than all Outstanding Bonds of one or more Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the Resolution and of the Series Resolution authorizing said Refunding Bonds.

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

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

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

(c) Irrevocable instructions to the Trustee, satisfactory to it, to make the required publication of notice to the Holders of the Bonds and coupons being refunded;

(d) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (ii) direct obligations of the United States of America in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Resolution relative to defeasance of Bonds and any moneys required pursuant thereto, which direct obligations of the United States of America and moneys shall be held in trust and used only as provided by such provisions; and

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

(3) If the principal amount of the Bonds of a Refunding Issue shall exceed the principal amount of the Outstanding Bonds refunded thereby, from and after the delivery of such Series of a Refunding Issue, the Trustee shall make appropriate adjustment between the Interest Account and Principal Account when disbursing and applying Municipal Bonds Payments deposited in the General Fund pursuant to the provisions of the Resolution to the end that such portion of the Municipal Bonds Payments as shall represent Municipal Bonds Interest Payments not required for deposit in the Interest Account for the purpose of paying interest accruing upon the Bonds shall be deposited in the Principal Account. Any surplus which might result upon and after such deposit shall be disposed of in the manner specified in the Series Resolution authorizing such Series of Bonds of the Refunding Issue.

MISCELLANEOUS RESOLUTION AND LOAN AGREEMENT PROVISIONS

Modification of Loan Agreement Terms

The Bank shall not consent to the modification of, or modify, the rate or rates of interest of, or the amount or time of payment of any installment of principal or interest of any Municipal Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loan, or the security for or any terms or provisions of such Loan or the Municipal Bonds evidencing the same, in a manner which adversely affects or diminishes the rights of the Bondholders; provided, however, that, in the event the Bonds issued to provide the funds with which the Bank has made a Loan are being or have been refunded and the

Bonds of the Refunding Issue issued or to be issued for the purpose of refunding such original Bonds are in a principal amount in excess of the principal amount of the Bonds refunded, the Bank may consent to the modification of and modify the Loan Agreement relating to such Loan and the Municipal Bonds evidencing the same, and the Municipal Bonds Payments to be made thereunder so long as such Municipal Bonds Payments are sufficient in amount and payable at the times required for the payment of the principal of and interest on such Bonds of the Refunding Issue.

Sale of Municipal Bonds by Bank

The Bank shall not sell any Municipal Bonds or other obligations issued as evidence of a Loan made by the Bank prior to the date on which all Outstanding Bonds issued with respect to such Loan are redeemable, and shall not after such date sell any such Municipal Bonds or other obligation issued as evidence of a Loan made by the Bank unless the sales price thereof received by the Bank shall not be less than the aggregate of: (i) the principal amount of the Municipality's Loan Obligations remaining unpaid, (ii) the Municipality's Reserve Fund Obligations remaining unpaid, (iii) the interest to accrue on all Bonds to be redeemed by the Bank upon the sale of such Municipal Bonds to the next redemption date thereof not previously paid by the Municipality, (iv) the applicable premium, if any, payable on the Bonds so to be redeemed, and (v) the costs and expenses of the Bank in effecting the redemption of the Bonds so to be redeemed, less the amount of monies or securities available in the applicable sub-account or sub-accounts in the Redemption Account and for withdrawal from the Reserve Fund and application to the redemption of such Bonds in accordance with the terms and provisions of the Resolution, as determined by the Bank; provided, however, that, in the event the Bonds issued to provide the funds with which the Bank made the Loan evidenced by the Municipal Bonds to be sold by the Bank have been refunded and the Bonds of the Refunding Issue issued for the purpose of refunding such original Bonds were issued in a principal amount in excess of the Municipality's Loan Obligations remaining unpaid at the date of such Refunding Issue, the required amount to be included in such sales price under item (i) above shall be the principal amount of such Bonds of the Refunding Issue Outstanding.

Enforcement of Municipal Bonds

The Bank shall diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Loan Agreements and the Municipal Bonds evidencing Loans made by the Bank, including the prompt collection of Municipal Bonds and Fees and Charges.

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

Pledge of Municipal Bonds and Municipal Bonds Payments

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 pledge of such Municipal Bonds and Municipal Bonds Payments for the benefit of the Holders of the Bonds and coupons shall be valid and binding from and after the date of adoption of the Resolution, and such Municipal Bonds and Municipal Bonds Payments shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bank, irrespective of whether such parties have notice thereof.

CERTAIN OTHER COVENANTS

Among other covenants made by the Bank in the Resolution are those related to the following matters:

Accounts and Reports

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

(2) The Bank shall annually, within sixty (60) days after the close of each Fiscal Year, file with the Trustee a copy of an annual report for such Fiscal Year, accompanied by an Accountant's Certificate, setting forth in complete and reasonable detail: (a) its operations and accomplishments; (b) its receipts and expenditures during such Fiscal Year in accordance with the categories or classifications established by the Bank for its operating and capital outlay purposes; (c) its assets and liabilities at the end of such Fiscal Year, including a schedule of its Municipal Bonds Payments, Municipal Bonds, Fees and Charges and the status of reserve, special or other funds and the Funds and Accounts established by the Resolution; and (d) a schedule of its Outstanding Bonds and other obligations outstanding at the end of such Fiscal Year, together with a statement of the amounts paid, redeemed and issued during such Fiscal Year. A copy of each such annual report and Accountant's Certificate shall be mailed promptly thereafter by the Bank to each Bondholder who shall have filed his name and address with the Bank for such purpose.

Budgets

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

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

(3) The Bank shall adopt an annual budget covering its fiscal operations for the succeeding calendar year not later than December 1 of each year, commencing as of December 1, 1970 and file the same with the Trustee and with such officials of the State as required by the Act, as then amended, which budget shall be open to inspection by any Bondholder. In the event the Bank shall not adopt an annual budget for the succeeding calendar year on or before December 1, the budget for the preceding calendar year shall be deemed to have been adopted and be in effect for such calendar year until the annual budget for such calendar year shall have been adopted as above provided. The Bank may at any time adopt an amended annual budget in the manner provided in the Act as then amended.

Personnel and Servicing of Programs

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

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

Waiver of Laws

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

DEFAULTS AND REMEDIES

The Trustee shall be and by the Resolution is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to Section 4702 of the Act and the right of Bondholders to appoint a trustee pursuant to Section 4702 of the Act is abrogated in accordance with the provision of subdivision 18 of Section 4618 of the Act.

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

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

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

(c) if the Bank shall fail or refuse to comply with the provisions of the Act, other than as provided in (b) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default shall continue for a period of ninety (90) days after written notice thereof by the Holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds;

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

Remedies

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

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

(b) by bringing suit upon the Bonds;

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

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

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

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

Priority of Payments After Default

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

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

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

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

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

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

Whenever monies are to be applied by the Trustee pursuant to the provisions of this Section, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of

additional money becoming available for such application in the future; the deposit of such monies with the Paying Agents, or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Bank, to any Bondholder or to any other person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the 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.

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 ($66\frac{2}{3}\%$) in principal amount of the outstanding Bonds to which the amendment applies; but no such amendment shall permit a change in the terms of redemption or maturity of the principal of any Bond or of any installment of interest thereon or a reduction in the principal amount or Redemption Price thereof, or the rate of interest thereon or reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect such amendment.

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

DEFEASANCE

1. If the Bank shall pay or cause to be paid to the Holders of all Bonds and coupons then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the 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.

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.

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

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 Obligation 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.

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.

<u>Municipality</u>	<u>Municipal Bonds</u>	<u>Serial Bonds Due Annually in Equal or Declining Principal Amounts on December 1*</u> (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. 39	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.

LOAN OBLIGATIONS AND RESERVE FUND OBLIGATIONS

Due December 1	1970 SERIES A BONDS (Loan Obligations Plus Reserve Fund Obligations)			LOAN OBLIGATIONS (Issued to Make Loans to the Municipalities— Equal to Aggregate Municipal Funds)			RESERVE FUND OBLIGATIONS (Issued to Deposit Approximately 110% of the Required Debt Service Reserve in the Reserve Fund)		
	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
	<u>\$46,000,000</u>	<u>\$24,607,037.50</u>	<u>\$70,607,037.50</u>	<u>\$41,230,000</u>	<u>\$20,911,390.00</u>	<u>\$62,141,390.00</u>	<u>\$4,770,000</u>	<u>\$3,695,647.50</u>	<u>\$8,465,647.50</u>

APPENDIX D

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:

<u>December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>December 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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

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,



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 A. Smith
Signature of Camera Operator

4/26/89
Date

STATE
of ALASKA

MEMORANDUM

DEPARTMENT OF EDUCATION
Pouch F, Juneau 99801

TO: []

Jay Hogan, Legislative Fiscal Analyst
Division of Legislative Finance

DATE : March 4, 1974

FROM:

R.L.T. nc

SUBJECT: Fiscal Notes

Robert L. Thomas, Deputy Commissioner
Department of Education

You have asked for a Fiscal Note on Senate Bill 405 which is identical to House Bill 696. These Bills are companion pieces of legislation to accompany House Concurrent Resolution 59, which likewise is identical to Senate Concurrent Resolution 25.

The Fiscal Note then, covers in affect, all four pieces of legislation since there were not fiscal implications in either House Bill 696 or Senate Bill 405, but rather they were merely implementing statutes which cleaned up some terminology and provided some additional definitions and terminology.

The Fiscal Note then, for Senate Concurrent Resolution 25 also serves for House Concurrent Resolution 59, since they are identical.

Attachments

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

I. REQUEST

Bill Identification: SCR #25, SB #405, HCR 59 and HB #696
 Title: Relating to Schools on Military Reservations
 Requested by: Legislative Finance Date: 3/13/74
 Return Date Requested: ASAP
 Agency: Education Program: Pre.-Elem.-Secondary

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Financial Support Programs
 A. EXPENDITURES: (Thousands of dollars) (Military School Operations)

OBJECT	FY 74	FY 75	FY 76	FY 77	FY 78	FY 79
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-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)

*See attached analysis (attachment B) showing the Governor's budget allowance as being sufficient to fund the legislation if enacted.

IV. ATTACHMENTS

HB #696 Attachment A Assumption
 SB #405 Attachment B Assumption
 HCR #59
 SCR #25

V. DATE: 3/13/74 PREPARED BY: Nathaniel Cole

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

ATTACHMENT "A" to Fiscal Note on SCR-25

ASSUMPTION NO. 1:

The military base schools will be funded through the Foundation Program Payments to the operating school districts, with a supplemental amount paid directly to the districts on behalf of each child from an appropriation to the Department of Education for that purpose.

ASSUMPTION NO. 2:

The supplemental amount to be appropriated to the Department of Education and distributed to the districts is intended to cover the full cost of education of a child when added to the foundation support for that child.

ASSUMPTION NO. 3:

The appropriate supplemental amount per child is arrived at by deducting from the tuition computations those funds paid by the district for debt service since there is no debt service connected with operation of the military base schools. The supplemental amounts, then, that result from this recomputation are \$260.68 for Anchorage and \$356.49 for Fairbanks.

ASSUMPTION NO. 4:

The State-Operated Schools appropriation would be reduced by the amount of funds which would have been allocated for the operation of Ft. Richardson, Elemendorf, Ft. Wainwright, and Eielson Base Schools.

ASSUMPTION NO. 5:

Pupil Transportation Funds in the State-Operated Schools appropriation for military schools would be reduced by the amount of their contracts and added to the Pupil Transportation Fund in the Financial Support Programs BRU.

ASSUMPTION NO. 6:

The Anchorage Central Office Administration of the State-Operated School System would be proportionately reduced as a consequence of less administrative overhead. The amount or ratio of military to rural services has not been determined, but for purposes of this computation is assumed to be 70% devoted to rural schools and 30% devoted to military school operation.

ASSUMPTION NO. 7:

The Foundation Support Unit is computed at its present level of \$20,250.

ASSUMPTION NO. 8:

The required local share, i.e., roughly 10% would not apply, and 100% of basic need would be used.

ASSUMPTION NO. 9:

Inflation and impact costs will increase at the rate of 15% per year.

ASSUMPTION NO. 11:

Increased district administration costs due to the increase in support services, i.e., purchasing, etc., might require a portion of the savings from reductions in the S.O.S. Central Office, therefore reducing the net overall saving estimated for '75.

ATTACHMENT B

	<u>Estimated Cost</u>	<u>Governor's Allowance On-Base Schools (Page 60 Short Form)</u>
1) Anchorage (Elmendorf-Richardson) (150 Inst. Units + Tuition Factor)	\$ 3,868.8	
1) Fairbanks (Ft. Wainwright-Eielson) (136 Inst. Units + Tuition Factor)	3,914.0	
1) Exceptional Children (Anch.-Fairbanks) (14 Inst. Units + 89-313 Fed. Funds)	524.2	
1) Pupil Transportation (Anch-Fairbanks)	382.9	
2) Adak & Greely (Est. All Activities)	1,712.0	
1) Contingency (to be appropriated to DOE to be used either in contracts or Adak and/or Greely on domenstrated need and approved by Budget & Audit Committee)	1,231.6	
2) Tuition	<u>1,321.3</u>	
Subtotal	<u>12,954.8</u>	<u>12,954.8</u>
1) Adm. cost to contracting dist. (30% of 01,03,04,05 & 06, p. 94 short form)	673.2	Governor's Allowance SOS Central Office <u>(Page 94 short form)</u>
2) Balance SOS Central Office	<u>2,050.8</u>	
Grand Total	<u>2,724.0</u>	<u>2,724.0</u>
		<u>15,678.8</u>
1) Appropriation to Dept. of Ed.	10,794.7	
2) Appropriation to SOS	<u>4,884.1</u>	
Total	15,678.8	

Introduced: 2/22/74
Referred: Health, Education &
Social Services and Finance

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE BY
REQUEST OF THE INTERIM COMMITTEE
ON PRE-HIGHER EDUCATION

1 IN THE HOUSE

2 HOUSE BILL NO. 696

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an act entitled: "An Act relating to schools on military reservations;
7 and providing for an effective date."

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

9 * Section 1. AS 14.12.020(a) is amended to read:

10 (a) Operation of the state-operated school district is under the
11 management and control of the board of the state-operated schools. The
12 board of the state-operated schools manages and controls schools on
13 military reservations located within an organized borough until the
14 military mission [RESERVATION STATUS] is terminated or [AND, THEREAFTER,
15 so long as management and control by the state-operated schools is
16 approved by the Department of Education.

17 * Sec. 2. AS 14.14.110 is amended by adding a new subsection to read:

18 (b) The department may prescribe the terms and conditions of any
19 contract entered into under (a) of this section.

20 * Sec. 3. AS 14.14.170(a) is amended to read:

21 (a) There is established an advisory school board in each community
22 or military reservation served by a school [AND] operated by the state
23 or by a city or borough school district by contract with the state. If
24 the state-operated school has an average daily membership of less than
25 251 pupils, the advisory school board consists of three members. If the
26 average daily membership is more than 250 pupils, the advisory school
27 board consists of five members.

28 * Sec. 4. AS 14.14.170(b) is amended to read:

29 (b) Voters qualified under sec. 180 of this chapter, at an election,

1 may create an on-base advisory school board which shall be advisory to
2 the governing body of the city or borough school district that operates
3 the on-base schools by contract. The date of election for on-base
4 advisory school board members, where the schools are operated by a city
5 or borough school district by contract, shall be the same as that for
6 the regular municipal election in the contracting city or borough.

7 * Sec. 5. AS 14.14.180(a)(4) is repealed.

8 * Sec. 6. AS 29.33.050 is amended to read:

9 Sec. 29.33.050. EDUCATION. Each borough constitutes a borough
10 school district and establishes, maintains, and operates a system of
11 public schools on an areawide basis as provided in AS 14.14.060. A
12 military reservation within an organized borough is not part of the
13 borough school district until the military mission [RESERVATION STATUS]
14 is terminated or [AND, THEREAFTER,] until inclusion in the borough
15 school district or operation of the military reservation schools by the
16 borough school district is approved by the Department of Education.

17 * Sec. 7. AS 29.41.010(a) is amended to read:

18 (a) A third class borough shall exercise the areawide powers of
19 education and tax assessment and collection in the manner provided for
20 second class boroughs. Provisions of law relative to first and second
21 class organized boroughs apply with respect to third class boroughs
22 only to the extent they are consistent with this chapter. A military
23 reservation within an organized borough is not part of the borough
24 school district until the military mission [RESERVATION STATUS] is ter-
25 minated or [AND, THEREAFTER,] until inclusion in the borough school
26 district or operation of the military reservation schools by the borough
27 school district is approved by the Department of Education.

28 * Sec. 8. AS 29.68.020 is amended to read:

29 Sec. 29.68.020. ANNEXATION OF MILITARY RESERVATIONS. [NOTWITH-

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STANDING THE PROVISIONS OF SEC. 3(d), CH. 52, SLA 1963, A] A military reservation may be annexed to a city or borough in the same manner as prescribed for any other territory under sec. 10 of this chapter. If a city within an organized borough annexes a military reservation under this section, the territory encompassing the military reservation automatically is annexed to the borough of which the city is a part.

* Sec. 9. The term of office of a member of the Board of Directors for State-Operated Schools who is a resident of a military reservation whose schools are operated by a city or borough school district in accordance with a contract entered into under AS 14.14.110 by direction of the Department of Education shall be terminated on the effective date of the contract.

* Sec. 10. Sec. 3(d), Ch. 52, SLA 1963, is repealed.

* Sec. 11. This Act takes effect July 1, 1974.

IN THE HOUSE

BY FINK

A M E N D M E N T

TO: HCS CSSB 122/CSHB 696

On page 4, between lines 21 and 22, insert:

"* Sec. 11. (a) Before any contract for the operation of schools on military reservations by a city or borough school district consummated under AS 14.14.110 becomes effective, the Department of Education shall conduct an election on the affected military reservation or military reservations in accordance with the provisions of AS 14 and AS 15, insofar as practicable, where the voters qualified under AS 14.14.180 shall be permitted to indicate whether they prefer:

(1) operation of the on-base schools by contract with a city or borough school district under AS 14.14.110;

(2) operation of the on-base schools by an educational service area governing body with jurisdiction over schools on one or more military reservations within an organized borough, notwithstanding the provisions of AS 29.03.020 and 29.63.090, and with powers prescribed by regulation by the department that are comparable to, but that may not exceed the scope of those granted to, a city or borough school district under AS 14.12 and 14.14; or

(3) operation of the on-base schools by the Alaska State-Operated School System under AS 14.08.

(b) If a majority of the voters voting on the question indicate a preference for either alternative prescribed in (a)(2) or (3) of this section, the contract consummated under AS 14.14.110 shall be void.

On page 3, line 22, strike out ".1", and insert: "12"

On page 3, line 23, strike out "12", and insert: "13"



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

4/26/89
Date

Original Sponsor: Ferguson

Offered: 3/19/74
Referred: Finance

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 698

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the
7 University of Alaska to provide for community college
8 and extension center programs in the northern region;
9 and providing for an effective date."

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

11 * Section 1. The sum of \$145,500 is appropriated from the general fund
12 to the University of Alaska for community college and extension center
13 programs in the northern region, to be apportioned as follows:

14	(1) Kotzebue	\$48,319
15	(2) Barrow	\$49,319
16	(3) Ft. Yukon	\$11,265
17	(4) Delta Junction	\$16,297
18	(5) Prudhoe Bay-Deadhorse	\$ 7,500
19	(6) Nenana, Clear, Healy	\$12,300
20	(7) Tok	\$ 500

21 * Sec. 2. This Act takes effect July 1, 1974.

Introduced: 2/25/74
Referred: Health, Education &
Social Services and Finance

1 IN THE HOUSE

BY FERGUSON

2 HOUSE BILL NO. 698

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 EIGHTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Univer-
7 sity of Alaska to provide for community college pro-
8 grams in Kotzebue, Barrow, and Nome and for vocational
9 education programs in various communities in Northwest
10 Alaska and in the North Slope Borough; and providing
11 for an effective date."

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

13 * Section 1. The sum of \$800,000 is appropriated from the general fund
14 to the University of Alaska to be apportioned as follows:

- 15 (1) contractual services to provide
- 16 community college programs in Kotzebue, Barrow and
- 17 Nome (\$100,000 each) \$300,000
- 18 (2) vocational education programs in
- 19 various communities in Northwest Alaska and in
- 20 the North Slope Borough at the discretion of the
- 21 University of Alaska \$500,000

22 * Sec. 2. This Act takes effect July 1, 1974.

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