*Upon the initial issuance of the Variable Rate Demand Bonds, Bond Counsel rendered an opinion, under then existing laws, regulations, rulings and judicial decisions, that interest on the Variable Rate Demand Bonds is not includable in gross income for federal income tax purposes; provided, however, that interest on the Variable Rate Demand Bonds is a separate tax preference item for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. For information regarding certain requirements for and exceptions to such exclusion, see "**TAX EXEMPTION**." The Vermont Housing Finance Agency Act provides that the Variable Rate Demand Bonds and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes. Bond Counsel has not undertaken to determine whether any subsequent events have affected the tax exempt status of the Variable Rate Demand Bonds.*

$13,800,000
VERMONT HOUSING FINANCE AGENCY
Single Family Housing Bonds
Series 22C Variable Rate Demand Bonds (AMT)

Dated Date: June 8, 2005

The $13,800,000 principal amount of the Vermont Housing Finance Agency (the "Agency") Single Family Housing Bonds, Series 22C maturing on November 1, 2034 (the "Variable Rate Demand Bonds") were issued as fully registered bonds in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (the "Securities Depository"). Purchases and sales by the beneficial owners of the Variable Rate Demand Bonds can be made in book-entry form only. Beneficial owners will not receive certificates evidencing their ownership interests in the Variable Rate Demand Bonds. See "**BOOK-ENTRY SYSTEM**" herein.

Interest on the Variable Rate Demand Bonds is payable on November 1, 2009, and semi-annually on May 1 and November 1 of each year. Interest on the Variable Rate Demand Bonds is payable by TD Bank, N.A.†, Trustee, to the Securities Depository. The Securities Depository is to credit such payment to its Participants (as hereinafter described), who are to remit interest payments to the beneficial owners of the Variable Rate Demand Bonds. Principal and premium, if any, will be payable by the Trustee in the same manner. The Variable Rate Demand Bonds are subject to a maximum interest rate of the lesser of 12% per annum and the maximum rate permitted by law (the "Maximum Rate").

The Variable Rate Demand Bonds are subject to purchase by the Trustee on the demand of the registered owners thereof on any business day upon seven days notice as described herein. *The Agency has obtained a substitute liquidity facility for the Variable Rate Demand Bonds (the "Substitute Liquidity Facility," "Liquidity Facility" or the "Standby Bond Purchase Agreement"), effective August 5, 2009 (the "Liquidity Substitution Date"), which will provide for payment of principal and, with respect to interest, will provide for payment of up to 187 days' interest for Variable Rate Demand Bonds that are tendered and not remarketed on any Optional Tender Date or Mandatory Tender Date, which Substitute Liquidity Facility is to expire August 4, 2011, subject to extension or earlier termination as described herein.* The substitute liquidity provider's commitment under the Substitute Liquidity Facility may be terminated or suspended without prior notice or opportunity to tender upon the occurrence of certain circumstances described herein. See "**THE VARIABLE RATE DEMAND BONDS—Liquidity Facility for Variable Rate Demand Bonds—*Remedies Upon an Event of Default***." The substitute liquidity provider for the Variable Rate Demand Bonds will be TD BANK, N.A. (the "Bank" or "TD Bank") and the Remarketing Agent will be Wells Fargo Brokerage Services, LLC.

The Variable Rate Demand Bonds are subject to redemption prior to maturity, including optional, special and sinking fund redemption at par under certain circumstances, as more fully described herein. The Variable Rate Demand Bonds are also subject to mandatory tender at par under certain circumstances, as more fully described herein.

The scheduled payment of principal of and interest on the Variable Rate Demand Bonds when due is guaranteed under an insurance policy issued by Financial Security Assurance Inc. for the Variable Rate Demand Bonds.

The Variable Rate Demand Bonds constitute special obligations of the Agency payable solely from and secured solely by a pledge of certain Revenues, Loans and funds and accounts established under the Resolution. The Agency has no taxing power. Neither the faith and credit nor the taxing power of the State of Vermont or of any political subdivision thereof is pledged for the payment of the Variable Rate Demand Bonds.

An approval of legality for the Variable Rate Demand Bonds was given at the time of issuance of the Variable Rate Demand Bonds by Kutak Rock LLP, Bond Counsel. Certain legal matters relating to the provision of the Substitute Liquidity Facility and the remarketing of the Variable Rate Demand Bonds have been passed upon for the Agency by Elizabeth Mullikin Drake, General Counsel of the Agency, for the Remarketing Agent by its counsel, Faegre & Benson LLP, Minneapolis, Minnesota, and for TD Bank by its special counsel, Murphy Sullivan Kronk, Burlington, Vermont.

WELLS FARGO BROKERAGE SERVICES, LLC

July 23, 2009

† TD Bank, N.A. has entered into a Trustee Servicing Agreement with The Bank of New York Mellon Trust Company, N.A. ("Bank of New York"), under which Bank of New York will perform all payments and transfers on the Variable Rate Demand Bonds.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Remarketing Circular, in connection with the offering of the Variable Rate Demand Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Agency. This Remarketing Circular does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Variable Rate Demand Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency and obtained from other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and, except for information provided by the Agency, is not to be construed as a representation of the Agency. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Remarketing Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

Other than with respect to information concerning Financial Security Assurance Inc. ("FSA") contained under the caption "**MUNICIPAL BOND INSURANCE**," Appendix V "—Financial Security Assurance Inc." and Appendix VIII, herein, none of the information in this Remarketing Circular has been supplied or verified by FSA and FSA makes no representation or warranty, express or implied, as to (a) the accuracy or completeness of such information; (b) the validity of the Variable Rate Demand Bonds; or (c) the tax exempt status of interest on the Variable Rate Demand Bonds.

THE VARIABLE RATE DEMAND BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AGENCY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

INTRODUCTORY STATEMENT 1
THE AGENCY 2
SECURITY FOR THE BONDS 7
MUNICIPAL BOND INSURANCE 18
THE VARIABLE RATE DEMAND BONDS 18
BOOK-ENTRY SYSTEM 37
SINGLE FAMILY MORTGAGE PURCHASE PROGRAM 40
SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION 46
TRUSTEE 54
PLEDGE AND AGREEMENT OF THE STATE 55
NO LITIGATION 55
INDEPENDENT AUDITORS 55
RATINGS 55
CONTINUING DISCLOSURE 56
APPROVAL OF LEGALITY 56
TAX EXEMPTION 56
CERTAIN FEDERAL INCOME TAX MATTERS 57
MISCELLANEOUS 61

APPENDIX I	CERTAIN INFORMATION RELATING TO THE AGENCY'S EXISTING SINGLE FAMILY HOUSING BOND PROGRAM
APPENDIX II-A	AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2008
APPENDIX II-B	UNAUDITED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2009
APPENDIX III	MORTGAGE INSURANCE PROGRAMS
APPENDIX IV	DEFINITIONS OF CERTAIN TERMS
APPENDIX V	CERTAIN INFORMATION REGARDING THE CREDIT ENHANCEMENT PROVIDER
APPENDIX VI	FORM OF OPINION OF BOND COUNSEL AT ISSUANCE OF THE SERIES 22C BONDS
APPENDIX VII	FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE SERIES 22C BONDS
APPENDIX VIII	SPECIMEN MUNICIPAL BOND INSURANCE POLICY

VERMONT HOUSING FINANCE AGENCY
Single Family Housing Bonds
Series 22C Variable Rate Demand Bonds (AMT)

This Remarketing Circular of the Vermont Housing Finance Agency (the "Agency") is provided for the purpose of setting forth information concerning the Agency, its Single Family Housing Bonds, Series 22C maturing on November 1, 2034 and currently outstanding in the principal amount of $13,800,000 (the "Variable Rate Demand Bonds"), its Single Family Housing Bond Resolution adopted on September 20, 1990, authorizing the issuance and sale of Single Family Housing Bonds (as heretofore amended and supplemented, the "General Resolution") and its Twenty-Sixth Supplemental Single Family Housing Bond Resolution authorizing the issuance and sale of the Variable Rate Demand Bonds adopted on June 8, 2005 (as supplemented by the Series Certificate executed upon the issuance of the Variable Rate Demand Bonds, the "Twenty-Sixth Supplemental Resolution"). The General Resolution and the Twenty-Sixth Supplemental Resolution are sometimes collectively referred to herein as the "Resolution." Certain terms not defined elsewhere in this Remarketing Circular are defined in **APPENDIX IV** hereto.

The Variable Rate Demand Bonds were originally issued as part of a larger issue of bonds (the "Series 22C Bonds"); the Variable Rate Demand Bonds remain outstanding in their original issuance amounts.

INTRODUCTORY STATEMENT

The Variable Rate Demand Bonds are secured under the provisions of the General Resolution and have been issued in accordance with the provisions of the General Resolution, the Twenty-Sixth Supplemental Resolution and the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"). The Agency has issued both bonds and notes as its Single Family Housing Bonds, Series 1 through Series 27 (collectively, the "Previously Issued Bonds") pursuant to the General Resolution and Supplemental Resolutions with respect to each Series of Bonds. The Previously Issued Bonds were issued in an initial aggregate principal amount of $1,447,330,000, of which $446,640,000 was outstanding as of June 30, 2009. Additional Series of bonds or notes may be issued by the Agency on parity with the Variable Rate Demand Bonds and other Series of bonds or notes outstanding under the General Resolution, provided that each additional Series is authorized by a supplemental resolution adopted in accordance with and under the provisions of the General Resolution and the Act. The Previously Issued Bonds, the Variable Rate Demand Bonds and additional bonds or notes issuable under the General Resolution are hereinafter sometimes collectively called the "Bonds."

The Act provides that the Agency constitutes a public instrumentality of the State of Vermont (the "State") exercising public and essential governmental functions, and the exercise by the Agency of the powers conferred by the Act is deemed to be an essential governmental function of the State. The Act authorizes the Agency to issue bonds and notes in such principal amounts as the Agency may determine. As of June 30, 2009, the Agency had $741,211,487 principal amount of debt outstanding. For information regarding the Agency's outstanding indebtedness, see "**THE AGENCY—Outstanding Indebtedness**."

The Bonds are special obligations of the Agency and are secured, to the extent and as provided in the Resolution, solely by a pledge of (a) Revenues, (b) Loans financed under the Resolution, (c) all Additional Security, if any, and (d) all money, securities and Reserve Deposits in the funds and accounts pledged under the Resolution (other than the Rebate Fund established for any Series of Bonds). The State is not obligated to pay the principal of the Bonds or the interest thereon, and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal or redemption price, if any, or the interest on the Bonds. There is no statutory provision for the maintenance of any funds or accounts pledged under the Resolution.

The scheduled payment of the principal of and interest on the Variable Rate Demand Bonds when due is insured by a municipal bond insurance policy issued for the Series 22C Bonds by Financial Security Assurance Inc. ("FSA").

The Agency and the Trustee will enter into a substitute Standby Bond Purchase Agreement for the Variable Rate Demand Bonds with TD Bank, N.A. (the "Bank" or "TD Bank"), dated August 5, 2009 (the "Standby Bond Purchase Agreement"). The Standby Bond Purchase Agreement is a liquidity facility that requires the Bank to purchase the Variable Rate Demand Bonds tendered or deemed tendered to the extent not remarketed, subject to certain funding conditions described herein and therein. The Bank's commitment under the Standby Bond Purchase Agreement may be terminated or suspended without prior notice or opportunity to tender upon certain occurrences described in "**THE VARIABLE RATE DEMAND BONDS—Liquidity Facility for Variable Rate Demand Bonds—*Remedies Upon an Event of Default***." The Bank is not providing credit support for payment of regularly scheduled principal and interest on the Variable Rate Demand Bonds. For information about the Bank and the Standby Bond Purchase Agreement, see "**THE VARIABLE RATE DEMAND BONDS—Liquidity Facility for Variable Rate Demand Bonds**" herein.

THE AGENCY

Purpose and Powers

The Agency was created as a body politic and corporate of the State. Under the Act, the purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs.

Under the Act the Agency has the power, among other things, to make loans to housing sponsors and mortgage lenders and to purchase mortgage loans from mortgage lenders to finance the making of new residential mortgage loans and rehabilitation mortgage loans for the benefit of persons and families of low and moderate income, to include in any borrowing amounts to pay Agency expenses necessary or incident to such borrowing, to issue bonds and notes, and to do any and all things necessary or convenient to carry out its purposes and exercise the powers granted in the Act.

Outstanding Indebtedness

Since September 1974, the Agency has issued $2,806,257,543 aggregate principal amount of bonds and notes, of which $741,211,487 was outstanding as of June 30, 2009, to finance its various programs. The proceeds of the bonds have been or will be used to make mortgage loans to sponsors of multi-family residential housing units for Persons and Families of Low and Moderate Income in the State, to purchase mortgage loans on single family residential housing units for Persons and Families of Low and Moderate Income in the State (or the purchase of mortgage backed securities relating to such single family loans), to make loans to mortgage lenders to finance such single family housing and to make loans to finance certain other multi-family housing developments. The bonds are secured pursuant to the terms of the resolutions or indentures under which they were issued.

For additional information with respect to outstanding indebtedness of the Agency, see **APPENDIX II**.

Operations to Date

Pursuant to the Act and agreements with bondowners, a substantial portion of the Agency's assets are pledged to secure specific obligations or are otherwise restricted. The Agency maintains separate restricted funds for each of its programs financed by the issuance of bonds under a particular general bond resolution or indenture. Such funds and programs have separate sets of self-balancing accounts set up in

accordance with the Act and the various general bond resolutions. Assets and revenues of such funds and programs are restricted by various resolutions and agreements and are not available in any manner other than as provided in the various general bond resolutions and indentures adopted by the Agency for its programs. Money in excess of restricted fund requirements is transferred periodically from these restricted funds to the General Fund. All of the Agency's outstanding bonds other than the Bonds are general obligations of the Agency secured by and payable from any of the Agency's revenues, money or assets, including the General Fund, subject to agreements heretofore or hereafter made with holders of notes and bonds that pledge particular revenues, money or assets for the payment thereof. The Agency has not pledged any money in the General Fund to the payment of any particular bonds of the Agency. The Variable Rate Demand Bonds are not general obligations of the Agency and no revenues, money or assets of the Agency are pledged to the payment of the Variable Rate Demand Bonds except as specifically set forth in the General Resolution or the related supplemental resolutions.

The Agency created its general obligation Multiple Purpose Bond Indenture in July, 2007 (the "Multiple Purpose Indenture") for the financing of the purchase mortgage loans on single family residential housing units for Persons and Families of Low and Moderate Income in the State, to make loans to mortgage lenders to finance such single family housing and to make loans to finance certain other multi-family housing developments, among other things. It is the Agency's current expectation that additional bonds to finance its single family program will be issued under the Multiple Purpose Indenture; however, the Agency may issue additional Bonds under the Resolution.

Recent Financial Considerations

The mortgage and financial markets have recently been subject to significant disruptions, including lack of liquidity, higher than anticipated interest costs and a slow down of mortgage origination (exclusive of mortgage refinancings). Instability in the mortgage markets, increases in delinquencies and defaults, higher than anticipated interest costs and limited access to credit have placed pressures on all participants in the industry, including but not limited to lenders, servicers, mortgage insurers and the Agency. The Agency can offer no guidance as to whether the recent volatility in the mortgage market and the financial markets generally will continue, and if it does, how these conditions might impact the ability of the Agency to generate income in sufficient amounts to pay its operating expenses and maintain its program reserves.

Management

The powers of the Agency are vested in nine commissioners, consisting of the State Commissioner of Banking, Insurance, Securities & Health Care Administration, the State Treasurer, the Secretary of Commerce and Community Development, the Executive Director of the Vermont Housing and Conservation Board, or their designees, and five members appointed by the Governor with the advice and consent of the State Senate. The appointed commissioners serve for terms of four years or until a successor is appointed and qualified. Members whose terms have expired continue to serve until reappointed or a successor has been appointed and qualified.

The present commissioners are:

Lisa Mitiguy Randall – Chair, term expires January 31, 2012. Ms. Randall is Vice President of Lending at Vermont Federal Credit Union. She was formerly the Development Director of Mater Christi School, Senior Vice President, Retail Services, New England Federal Credit Union, a Vice President of BancBoston Mortgage Corporation and the Bank of Vermont and held a variety of positions at The Howard Bank, N.A., all in Burlington, Vermont. She has served on a number of boards of charitable organizations. She is a graduate of the University of Vermont.

Gustave "Gus" Seelig – Vice Chair, Executive Director of the Vermont Housing and Conservation Board, ex-officio member. Mr. Seelig has served as the Executive Director of the Vermont Housing and Conservation Board since its inception in 1987. The Board administers a variety of state and federal programs which have resulted in an investment by the State of Vermont of over $156 million, which has developed or rehabilitated nearly 7,000 units of affordable housing and conserved approximately 344,000 acres of land, including 318 farms. Prior to his work for the Board, Mr. Seelig served as the Executive Director of the Central Vermont Community Action Council, a low income advocacy and community development organization. Mr. Seelig serves on the Affordable Housing Program Advisory Board for the Federal Home Loan Bank of Boston. He is also a member of the Board of the Vermont Energy Investment Corporation. Mr. Seelig received a B.A. from Goddard College in 1976 and completed the Harvard University's Program for Senior Executives in State and Local Government in 1996.

Robert H. Alberts – Term expires January 31, 2010. Mr. Alberts is President of Eastview at Middlebury, Inc., a planned multi-level, nonprofit retirement community, including independent living residential care and memory loss options. Mr. Alberts is also the owner of Middlebury Fitness, a full-service fitness and wellness center for all ages and a Partner in Community Investment Counselors, an investment firm specializing in fee-based asset allocation investment programs. In addition, Mr. Alberts currently serves as Vice President of the Board of Directors of the United Way of Addison County and Middlebury Business Association. He is the former head basketball coach at Middlebury Union High School. Mr. Alberts is a graduate of Ohio Wesleyan University.

Dagyne T. Canney – Term expires January 31, 2010. Ms. Canney is owner and principal broker of Prudential Green Mountain Realty in Rutland, where she has sold real estate for 30 years. She serves as a Director of both the Rutland County Board of Realtors and the Vermont Association of Realtors. In addition, Ms. Canney serves on the Governor's Economic Advisory Board and is a member of the Judicial Nominating Committee. She was formerly a member and Vice Chair of the Vermont Real Estate Commission and a director to the Rutland Region Chamber of Commerce. Ms. Canney is a graduate of the University of Vermont.

Bartlett H. "Bart" Frisbie – Term expires January 31, 2013, subject to Senate confirmation. Mr. Frisbie is the owner of Sterling Construction, Inc., a construction firm developing neighborhoods and building residential housing throughout Chittenden County, Vermont. He has served on the Board of Directors of the Homebuilders and Remodelers Association of Northern Vermont for the past 26 years, including terms as Secretary, Vice President and President. In addition, Mr. Frisbie is a member of Master Builders, a select trade group of similar builders from across the country. He has formerly served on the Colchester Community Development Corporation. He is a graduate of the University of Vermont.

Thomas N. Pelletier – Term expires January 31, 2011, subject to Senate confirmation. Mr. Pelletier has been President and Chief Executive Officer of Northfield Savings Bank in Northfield since 1998. He serves as a Director of the Vermont Chamber of Commerce, Public Television of Vermont, Norwich University Applied Research Institutes, Ltd. and the Central Vermont Economic Development Corp.; a Trustee of Carrabassett Valley Academy in Carrabassett Valley, Maine; and a member of the Community Bankers Council of the American Bankers Association. Mr. Pelletier has also served in leadership positions on a number of Boards including President of Green Mountain United Way and Chair of New England Insurance Trust and Vermont Bankers Association. He earned his B.A. in Political Science with a concentration in Economics from University of Maine in Orono.

Paulette Thabault – Commissioner of Banking, Insurance, Securities and Health Care Administration, ex-officio member. Ms. Thabault, a Vermont native, was appointed Commissioner of the Vermont Department of Banking, Insurance, Securities & Health Care Administration (BISHCA) in January of 2007. As Commissioner, Ms. Thabault is charged with regulating a broad spectrum of financial services industries in the banking, lending, insurance and securities arena, including a growing

number of legislatively mandated programs relating to hospital budget oversight, health care quality improvement, and affordability of health care. She previously served as Deputy Commissioner of Health Care Administration in BISHCA, as Vice President of Clinical and Legal Services for The Vermont Health Plan with Blue Cross Blue Shield of Vermont, and Director of Contracting for Massachusetts General Hospital and the MGH General Physicians Organization (MGH) in Boston, MA. Ms. Thabault has served on several community boards and organizations including the Community Health Center of Burlington, the Development Committee for the Alzheimers Association – NH/VT Chapter and currently, the Lund Family Center. She received an Associate's Degree in Nursing from the University of Vermont and a BS in Nursing from the University of Washington. She holds a Masters of Science in Nursing from Simmons College and a J.D. from New England School of Law. She is admitted to the Vermont and Massachusetts Bar and is also a small business owner.

George B. "Jeb" Spaulding – State Treasurer, ex officio member. Mr. Spaulding was re-elected to a fourth term as Vermont State Treasurer in 2008. As State Treasurer, he has emphasized continuous improvement in treasury fundamentals and initiated a new focus on leveraging State assets to encourage responsible corporate citizenship and support for community and economic development within Vermont. Prior to becoming Treasurer, Mr. Spaulding served eight terms in the Vermont State Senate from 1985-2000. During that period, he chaired several committees, including the Senate Appropriations Committee, the Joint Fiscal Committee, the Senate Education Committee, and the Joint Committee on Administrative Rules. Mr. Spaulding was the founder and General Manager of WNCS-FM in Montpelier and a partner in Precision Media, Inc. His involvement at the community level includes serving as a board member for the Red Cross, the United Way, Central Vermont Adult Basic Education, and the Washington County 4-H Foundation. He earned a B.A. from Antioch College and a M.Ed. from the University of Vermont.

Kevin L. Dorn – Secretary of the Agency of Commerce and Community Development, ex-officio member. Prior to becoming Secretary in January of 2003, Mr. Dorn was the Executive Director of the Home Builders and Remodelers Association of Northern Vermont for ten years. Prior to this position, he was the Manager of Congressional Affairs for Fairchild Industries and Director of Government Affairs for the General Aviation Manufacturers Association. After college graduation, Mr. Dorn served as a staff assistant to Senator David Durenberger (MN) and as Legislative Assistant and Legislative Director to Congressman Frank Horton (NY). Mr. Dorn holds a degree from Minnesota State University, Mankato.

The following are the principal staff members of the Agency:

Sarah E. Carpenter was appointed as Executive Director of the Agency in October, 1998. Before joining the Agency, Ms. Carpenter was the Executive Director of Cathedral Square Corporation in Burlington, Vermont for 15 years. Cathedral Square is a nationally recognized leader in combining affordable housing and community services. She currently serves on the Board of the National Council of State Housing Agencies, the Advisory Board to the Federal Home Loan Bank of Boston, the Boards of the Vermont Community Development Program and the Vermont Housing and Conservation Board, and on the Board of Fletcher Allen Healthcare, Vermont's academic healthcare system. Ms. Carpenter previously has served on a variety of boards, including the national Board of the American Association of Homes and Services for the Aging, AAHSA Assurances Limited, a captive liability insurance company, Housing Vermont, a nonprofit statewide developer and tax credit syndicator, the Community Development Advisory Board of the Federal Reserve Bank of Boston, and a number of local charities. Ms. Carpenter is a cum laude graduate of the University of Vermont and holds an M.P.A. degree from Harvard University.

Thomas R. Connors is the Agency's Chief Financial Officer and Treasurer. Prior to joining the Agency in August, 2006, Mr. Connors was Vice President of Finance and Operations at Trak Sports USA, Inc., a $20 million ski and snowboard manufacturer. From 1993 to 2004, he was Director of Revenue Accounting for IDX Systems Corporation (now GE Healthcare), a $500 million software

company based in Burlington, VT. From 1990 to 1993, Mr. Connors was Vice President of Finance for the software division of Information Resources, Inc. in Waltham, Massachusetts. Since 2001, he has served on the Board at Recycle North, a nonprofit company based in Burlington, Vermont, and currently serves as Treasurer of its Board. Mr. Connors received a B.A. in Business Administration from St. Michael's College and an M.B.A. from Bentley College. He also earned a Certificate in Financial Accounting from Champlain College.

David S. Adams is the Agency's Chief of Program Operations. Prior to joining the Agency in August, 1999, Mr. Adams was a Senior Vice President/Secondary Marketing Manager for Vermont National Bank. Mr. Adams worked for Vermont Federal Bank from 1970-1997 in a variety of positions, including serving as Senior Vice President/Residential Mortgage Lending Division Manager from 1990-1997. Vermont Federal Bank merged with Vermont National Bank in 1997. Mr. Adams received his B.S. in Business Administration from St. Michael's College, Colchester, Vermont.

Patricia A. Crady is the Agency's Director of Homeownership Programs. Prior to joining the Agency in 1985, Ms. Crady was a branch manager and loan originator for ComFed Mortgage Company, Inc. in South Burlington, Vermont from August 1983 to January 1985. Prior to that, Ms. Crady was Vice President and Manager, Secondary Market Department, with the Bank of Vermont. She attended the University of Vermont.

Samuel J. Falzone is Director of Multifamily Programs for the Agency. Mr. Falzone has been with the Agency since 1979, supervising the management of multifamily properties. He is a Certified Housing Manager. Prior to joining the Agency, Mr. Falzone worked as a District Property Manager in New England for the National Corporation for Housing Partnerships. He attended the University of Massachusetts.

Joseph A. Erdelyi is Director of Development for the Agency. Prior to joining the Agency in 1993, he was a Housing Planner and Development Officer for the New Hampshire Housing Finance Authority. Mr. Erdelyi is a graduate of the University of Vermont and is certified as a Housing Development Finance Professional by the National Development Council.

Elizabeth Mullikin Drake, Esq. is General Counsel to the Agency. Before joining the Agency, Ms. Drake was Assistant General Counsel for Bombardier Capital, a subsidiary of Bombardier Inc. She is also a former ex-officio Commissioner of the Agency in her capacity as Commissioner of Housing and Community Affairs for the State of Vermont from 1991-1993. She has also served as Agency Counsel to the Vermont Agency of Development and Community Affairs. Ms. Drake is a graduate of the University of Vermont and received her juris doctor degree from Vermont Law School. Ms. Drake currently anticipates departing the Agency prior to August 30, 2009; the Agency is actively reviewing candidates for the General Counsel position at this time.

Jacklyn R. Santerre is Assistant Director of Homeownership Programs for the Agency. Before joining the Agency in October 1984 she was a loan processor and office manager for the Lomas and Nettleton Company in Burlington, Vermont for four years.

As of June 1, 2009 the Agency had 36 employees who are responsible for the operation and management of the Agency. Of these employees, 8.5 are charged with responsibility for the single family program and 9 are charged with responsibility for the multifamily program. Included on the staff of the Agency are professionals with experience in mortgage underwriting and portfolio and investment management.

SECURITY FOR THE BONDS

The Bonds are special obligations of the Agency and are payable from and secured solely by a pledge and grant of a security interest in (a) all Revenues (including all payments of principal of and interest on Loans, insurance proceeds, Loan Loss Claim Fund Withdrawals and other recovery payments with respect to Loans, if any); (b) all Loans, and any other Revenue-producing contracts and any and all rights and interests of the Agency incident thereto and the proceeds thereof; and (c) all moneys, securities, Reserve Deposits and, subject to the provisions of the applicable supplemental resolution, Additional Security, if any, in all funds and accounts created by or pursuant to the Resolution (other than the Rebate Fund established for any Series of Bonds), subject to the provisions of the Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth therein. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Pledge of the Resolution**."

Revenues

Under the General Resolution, Revenues include (a) all amounts paid or required to be paid with respect to principal and interest from time to time on Loans, including interest payments on Loans and Loan Principal Payments, Loan Prepayments and Loan Loss Claim Fund Withdrawals, after deducting any fees required to be retained by Mortgage Lenders for servicing the Loans, (b) all payments received on account of Reserve Deposits or Additional Security, if any, and (c) all interest, investment gains and other income received or moneys or securities held pursuant to the Resolution and paid or to be paid into the Revenue Fund. Except as may be provided in a supplemental resolution authorizing Reserve Deposits or Additional Security, all Revenues upon receipt by the Agency are deposited in the Revenue Fund.

The General Resolution provides that the Revenues shall be deposited in the various funds and accounts and used for the purposes set forth therein. All Revenues are to be used to pay Program Expenses and interest on and Principal Installments of the Bonds, and to make up any deficiency in any fund or account established under the Resolution, including the Rebate Fund. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Revenues and Revenue Fund**." Any Revenues available after such payments and transfers, subject to the provisions of a supplemental resolution and upon the direction of the Agency, may be (a) applied to purchase additional Loans, (b) applied to purchase or redeem Bonds or (c) distributed to the Agency free and clear of the lien of the Resolution; provided, however, that in the case of any distributions to the Agency a Projection of Revenues satisfying the requirements of the General Resolution must be filed with the Trustee and, in the case of distributions to the Agency from amounts allocable to any Series of Bonds outstanding or the Bonds, on the date of such Projection of Revenues the outstanding principal balance of all Loans held under the Resolution for the account of the applicable Series of Bonds, plus all amounts held in the funds and accounts under the Resolution (excluding the amount to be distributed and amounts in the Rebate Fund) allocable to such Bonds must be at least equal to 101% of the Principal Amount of all Bonds of the applicable Series then outstanding, plus interest accrued thereon.

If Revenues are not sufficient to pay Principal Installments and interest on the Bonds, moneys in any Capitalized Interest Account, the Redemption Fund not yet committed to the redemption of Bonds, the Bond Reserve Fund and the Program Accounts will be applied to make up the deficiency. In addition to amounts available in the foregoing funds and accounts, any deficiency arising in connection with the special redemption of Bonds may, subject to certain conditions provided in the applicable supplemental resolution, be satisfied from amounts on deposit in one or more Contingency Accounts or Loan Loss Claim Funds. See "**SECURITY FOR THE BONDS—Additional Security**" and "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Revenues and Revenue Fund**."

Loans

The Bonds are secured by a pledge of and lien upon the Loans purchased or held under the Program. The General Resolution authorizes the purchase or making of Loans consisting of Mortgage Loans, Home Improvement Loans, Cooperative Housing Loans, Loan Securities and Residential Housing Loans. However, the Supplemental Resolutions with respect to each Series of Bonds limit the types of Loans that may be purchased or made with the proceeds of or other amounts allocable to such series.

All Loans currently outstanding under the General Resolution are Mortgage Loans which may include, in some cases, Loan Securities representing an interest in Mortgage Loans. The respective Supplemental Resolution for each Series of Bonds permits the application of the proceeds of such Series to the purchase or making of Mortgage Loans, Home Improvement Loans, Cooperative Housing Loans, Loan Securities and Residential Housing Loans if certain conditions are met, including the delivery by the Agency to the Trustee of evidence that such use will not adversely affect the ratings then assigned to any Bonds.

The following table sets forth for each Series of Bonds under the General Resolution, the original amount available for Loans, the aggregate principal amount of Loans outstanding as of June 30, 2009 and the range of interest rates made available for each Series of Bonds. Certain of such Mortgage Loans may have been reallocated to other Series of Bonds as a result of refunding transactions or pursuant to reallocation requirements of the Code.

[Remainder of page intentionally left blank]

Mortgage Loans By Series

Series	Original Amount Available for Mortgage Loans	Outstanding Principal Amount of Loans[1]	Interest Rates[2]
Series 1	$25,250,000	$ 195,780	7.95 - 8.95%
Series 2	37,310,610	2,082,805	7.80 - 8.25
Series 3	30,171,625	-0-	7.95 - 8.25
Series 4	54,514,000	-0-	6.00 - 13.50
Series 5	35,000,000	-0-	6.75 - 8.50
Series 6	60,000,000	-0-	6.55 - 8.25
Series 7	42,500,000	-0-	5.45 - 7.55
Series 8	30,035,000	-0-	5.65 - 7.75
Series 9	61,788,875	11,389,131	4.95 - 7.50
Series 10A/B	33,016,574	6,566,093	4.70 - 6.70
Series 11	24,373,088	3,091,119	5.45 - 7.10
Series 12A/B	28,340,702	3,058,033	5.90 - 7.55
Series 13A	33,737,120	6,526,650	6.25 - 7.50
Series 14	31,365,000	8,703,905	5.75 - 7.00
Series 15	30,900,000	10,314,142	5.55 - 6.75
Series 16	79,930,000[3]	23,944,991	5.25 - 8.90
Series 17	30,000,000	16,146,467	4.10 - 6.20
Series 18	30,000,000	17,152,549	4.10 - 6.60
Series 19	30,142,681	18,969,822	3.90 - 6.25
Series 20	31,074,987	19,988,325	4.60 - 6.50
Series 21	49,323,277[4]	29,354,346	3.90 - 5.75
Series 22	40,300,000	31,385,758	4.35 - 6.05
Series 23	56,735,344[5]	43,701,027	4.05 - 6.20
Series 24	40,300,000	34,985,583	4.35 - 6.20
Series 25	51,560,591	45,784,208	4.60 - 6.45
Series 26	52,110,406	40,557,718	4.35 - 7.55
Series 27	40,225,000	40,180,697[(6)]	4.25 - 6.10

[1] Unless otherwise restricted by the Code, the Agency is authorized to recycle principal payments with respect to Mortgage Loans allocated to certain Series of Bonds into new Mortgage Loans.

[2] Includes Stepped-Rate Mortgage Loans.

[3] Includes $29,930,000 of previously originated Mortgage Loans that became allocated to the Series 16 Bonds upon the refunding of prior obligations of the Agency. In addition, the Series 16 transaction provided funds in the amount of $50,000,000 for the origination of new Mortgage Loans.

[4] Includes $16,480,000 of previously originated Mortgage Loans that became allocated to the Series 21 Bonds upon the refunding of prior obligations of the Agency. In addition, the Series 21 transaction provided funds in the amount of $32,843,277 for the origination of new Mortgage Loans.

[5] Includes $16,475,000 of previously originated Mortgage Loans that became allocated to the Series 23 Bonds upon the refunding of prior obligations of the Agency. In addition, the Series 23 transaction provided funds in the amount of $40,260,344 for the origination of new Mortgage Loans.

[6] Includes $2,912,732 of previously originated Mortgage Loans and portions of Mortgage Loans allocated to the Series 27 Bonds for yield compliance purposes.

The Agency has covenanted in the General Resolution that, in a manner consistent with the Act and with the provisions of the Resolution, it will use and apply funds made available in connection with the issuance of the Bonds to the extent not reasonably required for other Program purposes of the Agency, to purchase or make Loans. In addition, in order to receive and collect Revenues, the Agency will do all such acts and things necessary as may be consistent with sound banking practices and principles, and will

diligently enforce and take all steps, actions and proceedings reasonably necessary, in the judgment of the Agency, to enforce all terms, conditions and covenants of Loans. Each Loan purchased or made by the Agency from the proceeds of Bonds or other moneys available therefor under the Resolution shall be secured, shall bear such insurance or guarantees, shall be in the amounts and shall otherwise have such terms and conditions as may be specified in the applicable supplemental resolution.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Loan and to protect and enforce the rights and interest of Bondowners under the Resolution, the General Resolution requires the Agency to take steps to enforce any policy or certificate of insurance or guaranty or Additional Security relating to a Loan and to foreclose the mortgage or enforce the security interest created by such Loan and to collect, hold and maintain or to sell or otherwise dispose of the collateral securing the note, mortgage or other instrument which is in default under the provisions of such Loan and, if the Agency deems such to be advisable, to bid for and purchase such collateral at any foreclosure sale.

The Agency may sell or otherwise dispose of any Loan which is in default or delinquent in the payment of principal or interest thereon if the Agency determines that such action is in the best interests of the Agency and Bondowners and will result in a greater availability of Revenues to pay Aggregate Debt Service when due and Program Expenses than would be the case if such Loan is not sold.

Note, however, that potential changes in State or federal laws relating to lending may have an effect on the Agency and its servicers' ability to act in connection with its Loans. See "**SINGLE FAMILY MORTGATE PURCHASE PROGRAM—Changes in Federal or State Law**" herein.

The Agency may sell or otherwise dispose of any Loan which is not in default or delinquent in the payment of principal or interest thereon, or transfer any such Loan to itself free and clear of the pledge of the Resolution and at such price as the Agency shall determine, provided that prior to any such disposition or transfer the Agency files with the Trustee a Projection of Revenues showing that following such disposition or transfer anticipated Revenues, together with any other moneys available for such purposes, will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses. Except as otherwise provided in any supplemental resolution, the proceeds, if any, of sale, transfer or other disposition of any Loan which was not in default or delinquent in the payment of principal or interest thereon shall not constitute a Loan Prepayment and shall not be deposited directly or indirectly in a Special Redemption Account for any Series of Bonds outstanding.

As of June 1, 2009, the Agency has taken steps towards the pooling and sale of certain of the Mortgage Loans under the Resolution for a corresponding purchase and deposit to the Resolution of Freddie Mac Certificates. The approximate principal amount of the Mortgage Loan securitization is $35,500,000, with the settlement date for such securitization expected to occur on or before July 31, 2009. Such securitization is expected to strengthen the security of the assets pledged under the Resolution.

Bond Reserve Fund

The General Resolution requires that a Bond Reserve Fund be established and provides for its funding and maintenance in an amount at least equal to the Bond Reserve Fund Requirement. The General Resolution establishes the Bond Reserve Fund Requirement as an amount at least equal to the aggregate of the Series Bond Reserve Fund Requirements for all Series of Bonds outstanding as established in the supplemental resolution for such series.

The supplemental resolutions for each Series of Bonds currently outstanding have established the Series Bond Reserve Requirement for the applicable Series of Bonds at an amount at least equal to the lesser of (a) 50% of the maximum amount of Debt Service payable on such Series of Bonds in the current or any subsequent Fiscal Year and (b) 10% of the original net proceeds of such Series of Bonds.

Investment Obligations on deposit in the Bond Reserve Fund are valued under the Resolution at par, if purchased at par, or at amortized value if purchased at other than par. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Investments and Deposits**." As of June 30, 2009, cash and Reserve Deposits (as defined below) on deposit in the Bond Reserve Fund aggregated $21,596,704 and the Bond Reserve Fund Requirement was $16,663,141. Upon the conversion of the interest rate on the Variable Rate Demand Bonds to a Weekly Rate, the amount on deposit in the Bond Reserve Fund will be at least equal to the Bond Reserve Fund Requirement.

Moneys in the Bond Reserve Fund may not be withdrawn in any amount which would reduce the amount on deposit in the Bond Reserve Fund to less than the Bond Reserve Fund Requirement except for the purpose of paying Principal Installments and interest on Bonds maturing and becoming due for the payment of which no other moneys pledged under the Resolution (other than amounts on deposit in the Program Accounts, if any) are available. In lieu of cash or securities, to the extent that the then current unenhanced ratings assigned to the Bonds by any Nationally Recognized Credit Rating Agency will not be adversely affected, the General Resolution allows the Agency to satisfy the Bond Reserve Fund Requirement in part or in whole by maintaining (a) irrevocable and unexpired letters of credit issued by a banking institution, (b) irrevocable policies of insurance in full force and effect, (c) irrevocable guaranties by banks, bank holding companies or insurance companies or (d) such other security or amounts as may be specified in a supplemental resolution and pledged to the payment of Bonds or Loans (collectively, "Reserve Deposits"), in each case making funds available to the Trustee for the same purpose and subject to the same conditions as such cash or securities would be available.

Projection of Revenues

The General Resolution requires that the Agency file with the Trustee a Projection of Revenues (a) upon delivery of any Series of Bonds; (b) upon the mandatory tender and interest rate adjustment on any Fixed Rate Bonds of any Series, (c) prior to the transfer of moneys from the Revenue Fund to the Agency free and clear of the lien of the Resolution; (d) except in certain circumstances, prior to the application of moneys in the Debt Service Fund or the Redemption Fund for the purchase or redemption of Bonds or the transfer of moneys in the Revenue Fund to a Program Account for the purchase of Loans; (e) prior to the sale of any Loan which is not in default or delinquent in any payments thereon and (f) upon filing with the Trustee the annual budget with respect to the Program for the ensuing Fiscal Year. Each Projection of Revenues is required to show, in effect, that after the intended action, anticipated Revenues and other funds thereafter available will be sufficient to pay in each subsequent Fiscal Year the Principal Installments of and interest on all outstanding Bonds when due and all Program Expenses or, if that is not the case, that such action will produce a greater amount of Revenues and other funds available for such purpose than would be the case if the Agency fails to take such action. In the case of transfers to the Agency, the Projection of Revenues must also demonstrate funds sufficient to make required deposits, if any, into the Rebate Fund and Bond Reserve Fund in each subsequent Fiscal Year. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION**" and "**APPENDIX IV—DEFINITIONS OF CERTAIN TERMS—Projection of Revenues**."

The foregoing Projections of Revenues further assume that moneys in the various funds and accounts established under the Resolution will be invested prior to application (a) in Investment Obligations at actual yields available to the Agency pursuant to existing investment contracts or arrangements or (b) if such moneys are not then invested, at the lowest yields as may be required by a Nationally Recognized Credit Rating Agency.

The Principal Installments on the Previously Issued Bonds were established based on the scheduled amortization payments on the Loans then expected to be purchased with the proceeds of the applicable Series of Bonds so that even if no Loan Prepayments were received with respect to such Loans, Revenues and other available money expected to be held in the funds and accounts under the Resolution would be sufficient to pay when due the Principal Installments of and interest on such Series of Bonds

and all Program Expenses allocable thereto. Revenues (including Loan Prepayments, if any) may be received from time to time in amounts in excess of the amounts necessary to pay the interest on and Principal Installments of the Bonds then due. Payments of principal and interest on Loans, including Loan Prepayments, in excess of the amounts necessary to pay interest on and Principal Installments of the Bonds, unless applied by the Agency to purchase additional Loans, may be applied to redeem Bonds, including the Variable Rate Demand Bonds, prior to maturity. See "**THE VARIABLE RATE DEMAND BONDS—Redemption Provisions—*Special Redemption***."

To the extent that Loans are not purchased at the times and interest rates anticipated by the Agency, or timely payment of principal or interest on the Mortgage Loans is not received when due, or prepayments on Loans are received at a rate substantially higher than assumed, or the Agency suffers losses on Loans in excess of any applicable mortgage insurance or guarantee or in excess of amounts otherwise available therefor or investment income differs from the amount projected by the Agency, the Revenues and other moneys available under the Resolution for payment of the Bonds, including the amounts in the Bond Reserve Fund, may be adversely affected. Certain proceeds of the Bonds, including proceeds on deposit in the Program Fund and the Bond Reserve Fund, have been and will be used to purchase Investment Obligations.

Additional Security

In addition to the security provided for the Bonds under the General Resolution and any security provided for Loans under the applicable supplemental resolution, to the extent the provision thereof will not adversely affect the unenhanced ratings assigned to any Bonds outstanding by any Nationally Recognized Credit Rating Agency, the Agency may obtain letters of credit, lines of credit, surety bonds, insurance policies, guarantees or similar obligations or other agreements or instruments ("Additional Security") providing for or further securing the payment of all or a portion of the Principal Installments or redemption price of and interest on the Bonds or providing Reserve Deposits or providing for the purchase of Bonds by the issuer or obligor of any such Additional Security or providing for or further securing the payment of the principal and interest and other payments to be made on Loans. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Additional Security**."

As of the date hereof the Agency has provided the following Additional Security for the Bonds currently outstanding and is to provide the following Additional Security for the Bonds:

Loan Loss Claim Funds. In addition to the requirements of the Resolution relating to primary mortgage insurance for Loans acquired from amounts in the various Program Accounts under the Resolution, the Agency has established separate Loan Loss Claim Funds with respect to the Loans allocable to each Series of Bonds heretofore issued under the General Resolution.

The Loan Loss Claim Fund for each Series of Bonds must each be maintained in an amount at least equal to (x) 1.85% of the sum of (a) the aggregate unpaid principal amount of all Loans allocated to the related Series of Bonds plus (b) the aggregate amount, if any, then held in the related Program Account which may be applied to the purchase of such Loans, less (y) the aggregate amount withdrawn from such Loan Loss Claim Fund on account of Loan Losses; or in such lesser amount as each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds outstanding confirms will not adversely affect the unenhanced rating on the Bonds (the "Loan Loss Claim Fund Requirements").

In addition to cash and Investment Obligations, the Supplemental Resolutions permit the Loan Loss Claim Funds to be funded with one or more Loan Loss Claim Fund Deposits. See "**APPENDIX IV—DEFINITIONS OF CERTAIN TERMS**."

The following table presents information as of June 30, 2009 on the Loan Loss Claim Fund for each Series of Bonds.

Loan Loss Claim Funds By Series

Series of Bonds	Loan Loss Claim Fund Amount	Losses Paid[1]	Loan Loss Claim Fund Requirement
Series 1[2]	$ -0-	$ 806,840	$ -0-
Series 2[2]	-0-	1,434,068	-0-
Series 3[2]	-0-	1,185,694	-0-
Series 4[2]	-0-	333,268	-0-
Series 5[2]	-0-	751,399	-0-
Series 6[2]	-0-	905,944	-0-
Series 7[2]	-0-	117,451	-0-
Series 8[2]	-0-	107,256	-0-
Series 9	1,145,000[3]	185,073	25,626
Series 10	610,807[4]	7,956	113,517
Series 11	450,902[4]	2,171	55,015
Series 12	524,303[4]	7,577	48,997
Series 13	624,137[4]	23,555	97,188
Series 14	555,144[4]	32,864	128,158
Series 15	577,478[4]	4,543	186,269
Series 16	1,478,705[5]	86,990	355,992
Series 17	555,827[5]	2,334	296,376
Series 18	562,563[5]	6,498	310,824
Series 19	559,995[4]	-0-	350,942
Series 20	575,000[4]	-0-	369,784
Series 21	850,820[4]	19,977	523,078
Series 22	745,550[4]	39,024	541,613
Series 23	1,029,481[4]	35,772	772,697
Series 24	745,550[4]	-0-	647,833
Series 25	931,937[4]	-0-	847,008
Series 26	947,662[4]	4,748	745,570
Series 27	744,162[4]	-0-	743,343

(1) Losses paid in excess of the Loan Loss Claim Fund Amount have been paid from available funds of the Agency.
(2) Bonds no longer outstanding.
(3) Surety Bond provided by MBIA Insurance Corporation.
(4) Surety Bond provided by FSA.
(5) Funded by a cash deposit from available funds of the Agency.

If the Agency realizes a Loan Loss on a Loan, the Trustee shall withdraw the amount of such Loan Loss (a "Loan Loss Claim Fund Withdrawal") from the Loan Loss Claim Fund created for the related Series of Bonds and deposit such amount in the Revenue Fund. Any Loan Loss Claim Fund Withdrawals so deposited in the Revenue Fund will constitute Revenues under the Resolution and may, but are not required to be, used only to pay interest on and Principal Installments of the related Series of Bonds. In addition, if at any time the amounts otherwise available in any Special Redemption Account are insufficient to permit the Agency to file the Projection of Revenues required by the General Resolution (after application to such purposes of all amounts available therefor in all other funds and accounts maintained under the Resolution other than the Rebate Fund), the Trustee shall withdraw the amount of the deficiency from any Loan Loss Claim Fund, as directed by the Agency, and deposit the amount so withdrawn in the Revenue Fund or the applicable Special Redemption Account, provided that the amount remaining in the applicable Loan Loss Claim Fund after any such withdrawal is not less than

the applicable Loan Loss Claim Fund Requirement, and provided further that amounts on deposit in the Series 9, Series 10, Series 11, Series 12, Series 13, Series 14, Series 15, Series 16, Series 17, Series 18, Series 19, Series 20, Series 21, Series 22, Series 23, Series 24, Series 25, Series 26 and Series 27 Loan Loss Claim Funds may only be applied to the redemption of Series 9, Series 10, Series 11A, Series 12, Series 13A, Series 14A, Series 15A, Series 16, Series 17, Series 18, Series 19, Series 20, Series 21, Series 22, Series 23, Series 24, Series 25, Series 26 and Series 27 Bonds, respectively, and that amounts on deposit in each other Loan Loss Claim Fund may only be applied to the redemption of the related Series of Bonds or any other Series of Bonds issued prior to such Series of Bonds.

While the amount of each Loan Loss Claim Fund Requirement will decline, among other reasons, as Loans are paid or prepaid in accordance with their terms, the Supplemental Resolutions provide that the respective amounts of the Loan Loss Claim Fund Deposits may not be correspondingly reduced and amounts on deposit in the Loan Loss Claim Funds may not be withdrawn in such events unless each Nationally Recognized Credit Rating Agency then maintaining a rating on any Bonds Outstanding confirms that such reduction or withdrawal will not adversely affect the unenhanced ratings then assigned by it to any Bonds Outstanding. Amounts on deposit in or credited to the Loan Loss Claim Funds may be withdrawn or reduced by the Agency without approval of such rating agencies due to the non-origination of Loans or to the extent Loan Losses are paid from the applicable Loan Loss Claim Fund.

Not less than five business days prior to the expiration date of any Loan Loss Claim Fund Deposit, the Agency shall deposit with the Trustee either an extension of or substitute for such Loan Loss Claim Fund Deposit, in either case in an amount available to be drawn thereunder sufficient to satisfy the applicable Loan Loss Claim Fund Requirement or, if less, the stated amount of the expiring Loan Loss Claim Fund Deposit. If the Agency fails to deposit an extension of or substitute for such Loan Loss Claim Fund Deposit with the Trustee, not less than three business days prior to the expiration date of the Loan Loss Claim Fund Deposit, the Trustee shall draw on such Loan Loss Claim Fund Deposit and deposit in the applicable Loan Loss Claim Fund an amount sufficient to satisfy the applicable Loan Loss Claim Fund Requirement or, if less, the full amount then available to be drawn under the applicable Loan Loss Claim Fund Deposit.

Contingency Accounts. As additional security for the Bonds set forth below, the related Supplemental Resolution established a Contingency Account for such Series of Bonds in the amounts set forth below. The previously established Contingency Accounts have been funded with surety bonds as described below and such surety bonds shall expire upon payment, in full, of the applicable Series of Bonds.

[Remainder of page intentionally left blank]

Contingency Accounts By Series

Series of Bonds	Contingency Account Amount
Series 9	$875,000[(1)]
Series 10A/B	600,000[(2)]
Series 11A	513,010[(2)]
Series 12	552,415[(2)]
Series 13	603,321[(2)]
Series 14	518,628[(2)]
Series 15	800,000[(2)]
Series 16	-0-
Series 17	640,000[(2)]
Series 18	750,000[(2)]
Series 19	750,000[(2)]
Series 20	750,000[(2)]
Series 21	750,000[(2)]
Series 22	600,000[(2)]
Series 23	900,000[(2)]
Series 24	300,000[(2)]
Series 25	100,000[(2)]
Series 26	250,000[(2)]
Series 27	300,000[(2)]

[(1)] Surety Bond provided by MBIA Insurance Corporation.
[(2)] Surety Bond provided by FSA.

If money is transferred from the Series 9, Series 10A/B, Series 11A, Series 12A/B, Series 13A, Series 14A, Series 15A, Series 17, Series 18, Series 19, Series 20, Series 21, Series 22, Series 23, Series 24, Series 25, Series 26 or Series 27 Program Account to the applicable Special Redemption Account as a result of the Agency's inability to purchase Loans or is deposited in a Special Redemption Account due to prepayments of the Loans that are not used to purchase additional Loans, the Agency will redeem a portion of the outstanding Bonds in accordance with, and upon satisfaction of the conditions set forth in, the General Resolution (See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Redemption Fund**"). Prior to such redemption, the Agency must deliver to the Trustee a Projection of Revenues demonstrating that following such redemption anticipated Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if that will not be the case, that in the judgment of the Agency such redemption will result in a greater amount of Revenues and other funds available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses than would be the case if such redemption is not effected. If the Agency is unable to deliver such Projection of Revenues without the deposit of additional moneys in the Revenue Fund, the Agency may deposit the deficiency in the Revenue Fund, for application to the redemption of the Bonds, or if the Agency shall fail to make such deposit, the Trustee will withdraw from a Contingency Account and deposit in the Revenue Fund, for application to the redemption of the Bonds, an amount (up to an aggregate amount equal to the initial deposit therein) sufficient to enable the Agency to deliver such Projection of Revenues. A Contingency Account for a Series of Bonds may only be drawn upon in connection with a redemption of such Series of Bonds or a prior Series of Bonds for which a Contingency Account has been established.

FSA Surety Bonds

The Series 10 Contingency Account Requirement, the Series 11 Contingency Account Requirement, the Series 12 Contingency Account Requirement, the Series 13 Contingency Account Requirement, the Series 14 Contingency Account Requirement, the Series 15 Contingency Account Requirement, the Series 17 Contingency Account Requirement, the Series 18 Contingency Account Requirement, the Series 19 Contingency Account Requirement, the Series 20 Contingency Account Requirement, the Series 21 Contingency Account Requirement, the Series 22 Contingency Account Requirement, the Series 23 Contingency Account Requirement, the Series 24 Contingency Account Requirement, the Series 25 Contingency Account Requirement, the Series 26 Contingency Account Requirement and the Series 27 Contingency Account Requirement have been funded with the Series 10 Contingency Account Surety, the Series 11 Contingency Account Surety, the Series 12 Contingency Account Surety, the Series 13 Contingency Account Surety, the Series 14 Contingency Account Surety, the Series 15 Contingency Account Surety, the Series 17 Contingency Account Surety, the Series 18 Contingency Account Surety, the Series 19 Contingency Account Surety, the Series 20 Contingency Account Surety, the Series 21 Contingency Account Surety, the Series 22 Contingency Account Surety, the Series 23 Contingency Account Surety, the Series 24 Contingency Account Surety, the Series 25 Contingency Account Surety, the Series 26 Contingency Account Surety and the Series 27 Contingency Account Surety, respectively. The Loan Loss Claim Fund Requirement for each Series of Bonds other than the Series 8 Bonds, Series 9 Bonds, Series 16 Bonds, Series 17 Bonds and Series 18 Bonds has been funded with a Loan Loss Claim Fund Surety provided by FSA. Such surety bonds provide that after receipt by FSA of a demand for payment executed by the Trustee certifying that under the provisions of the Resolution, a withdrawal is required to be made from the respective Contingency Account or the respective Loan Loss Claim Fund, as applicable, and such withdrawal cannot be made from other funds available in the Series 10 Contingency Account, the Series 11 Contingency Account, the Series 12 Contingency Account, the Series 13 Contingency Account, the Series 14 Contingency Account, the Series 15 Contingency Account, the Series 17 Contingency Account, the Series 18 Contingency Account, the Series 19 Contingency Account, the Series 20 Contingency Account, the Series 21 Contingency Account, the Series 22 Contingency Account, the Series 23 Contingency Account, the Series 24 Contingency Account, the Series 25 Contingency Account, the Series 26 Contingency Account or the Series 27 Contingency Account, respectively, or the respective Loan Loss Claim Fund, FSA is to deposit funds with the Trustee sufficient to enable the Trustee to make such withdrawals in the required amount, but in no event exceeding the Surety Bond Coverage, as defined in each of the surety bonds.

Pursuant to the terms of each of the surety bonds, the Surety Bond Coverage provided by the respective surety bond is to be automatically reduced to the extent payment is made by FSA under the terms of the surety bond and the Agency would be required to reimburse FSA for any draws under the surety bond with interest at a market rate. The reimbursement obligation of the Agency under each surety bond is a general obligation of the Agency.

The surety bonds do not insure against nonpayment caused by the insolvency or negligence of the Trustee.

MBIA Surety Bonds

The Series 9 Contingency Account Requirement has been funded with the Series 9 Contingency Account Surety and the Series 9 Loan Loss Claim Fund Requirement has been funded with the Series 9 Loan Loss Claim Fund Surety. Such surety bonds provide that after receipt by MBIA of a demand for payment executed by the Trustee certifying that under the provisions of the Resolution a withdrawal is required to be made from the Series 9 Contingency Account or the Series 9 Loan Loss Claim Fund and such withdrawal cannot be made from other funds available in the Series 9 Contingency Account or the Series 9 Loan Loss Claim Fund, MBIA is to deposit funds with the Trustee sufficient to enable the

Trustee to make such withdrawals in the required amount, but in no event exceeding the Surety Bond Coverage, as defined in each of the surety bonds.

Pursuant to the terms of each of the surety bonds, the Surety Bond Coverage provided by the respective surety bond is to be automatically reduced to the extent payment is made by MBIA under the terms of the surety bond and the Agency would be required to reimburse MBIA for any draws under the surety bond with interest at a market rate. The reimbursement obligation of the Agency under each surety bond is a general obligation of the Agency.

The surety bonds do not insure against nonpayment caused by the insolvency or negligence of the Trustee.

Additional Security for Certain Bonds

In connection with the issuance of the Bonds set forth below, the Agency caused the related municipal bond insurance provider to issue a municipal bond insurance policy relating to such Series of Bonds. Such insurance policies do not secure the Bonds.

Series of Bonds	Municipal Bond Insurance Provider
Series 9	MBIA
Series 10A/B	FSA
Series 11A	FSA
Series 12A/B	FSA
Series 13A	FSA
Series 14A	FSA
Series 15A	FSA
Series 16A	FSA
Series 17	FSA
Series 18A	FSA
Series 19	FSA
Series 20	FSA
Series 21	FSA
Series 22	FSA
Series 23	FSA
Series 24	FSA
Series 25	FSA
Series 26	FSA
Series 27	FSA

Additional Bonds

The General Resolution permits the issuance of additional Bonds thereunder for the purpose of providing funds for the Program and, in addition, to refund outstanding Bonds issued under the General Resolution or other bonds or notes of the Agency issued to finance Loans qualifying under the General Resolution, so long as the issuance of such additional Bonds would not adversely affect the unenhanced ratings then assigned to any Bonds outstanding by any Nationally Recognized Credit Rating Agency. Any additional Bonds issued under the General Resolution would be on a parity with the outstanding Bonds and would be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution. The General Resolution provides that upon the issuance of any such additional Bonds there is to be deposited in the Bond Reserve Fund, if necessary, amounts sufficient to increase the amount therein to the Bond Reserve Fund Requirement calculated after such issuance.

Prior to the delivery of any additional Bonds, the Agency is required to file a Projection of Revenues with the Trustee. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Authorization and Issuance of Bonds**." No assurance can be given, however, that any Additional Security for the Bonds provided in connection with the issuance of any Additional Bonds would provide coverage that is comparable to the coverage provided by the Loan Loss Claim Funds and Contingency Accounts described above.

Enforceability of Remedies

The remedies available to the Owners of the Bonds upon an event of default under the Resolution or other documents described herein are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies set forth in the Resolution and the various Program Documents may not be readily available or may be limited. The various legal opinions delivered in connection with the Variable Rate Demand Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by the exercise of judicial discretion in accordance with general equitable principles and by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally.

MUNICIPAL BOND INSURANCE

Financial Security Assurance Inc. (together with its successors or assigns, "FSA" and the "Bond Insurer") has issued a Municipal Bond Insurance Policy for the Series 22C Bonds, inclusive of the Variable Rate Demand Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Variable Rate Demand Bonds when due as set forth in the form of the Policy included as "**APPENDIX VIII—SPECIMEN MUNICIPAL BOND INSURANCE POLICY**" of this Remarketing Circular.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law. Additional information regarding FSA can be found in "**APPENDIX V—CERTAIN INFORMATION REGARDING THE CREDIT ENHANCEMENT PROVIDER**."

THE VARIABLE RATE DEMAND BONDS

The Variable Rate Demand Bonds have been issued as fully registered bonds without coupons in denominations of $5,000 or any multiple thereof. Interest on the Variable Rate Demand Bonds shall accrue from the Liquidity Substitution Date for the Variable Rate Demand Bonds (August 5, 2009) and shall be payable in arrears on May 1 and November 1 of each year, commencing November 1, 2009, as well as on each Mode Adjustment Date (as defined below). Interest on the Variable Rate Demand Bonds will be computed on the basis of a 365/366-day year for the number of days actually elapsed. Interest will be payable to the Bondowners determined as of the close of business on the Business Day immediately preceding the applicable Interest Payment Date.

Interest Rate for Variable Rate Demand Bonds. The Variable Rate Demand Bonds will bear interest at a rate established by the Remarketing Agent on each Rate Determination Date (as defined below). During each Rate Period (as defined below), the interest rate for the Variable Rate Demand Bonds will be the rate which, in the sole and exclusive judgment of the Remarketing Agent, would equal (but not exceed) the interest rate necessary to enable the Remarketing Agent to sell the Variable Rate Demand Bonds (exclusive of accrued interest, if any) on the Rate Adjustment Date and for such Rate Period at a price equal to 100% of their principal amount; provided, however, that such interest rate shall not exceed the Maximum Rate. The "Rate Adjustment Date" for the Variable Rate Demand Bonds is the Wednesday of each week and any Substitution Date (as defined below). A "Rate Period" means the period commencing from and including a Rate Adjustment Date to but excluding the next Rate

Adjustment Date, provided that if any Variable Rate Demand Bonds are converted to another Interest Mode (as defined below) prior to the next subsequent Rate Adjustment Date, then such Rate Period shall continue in effect only until the day preceding the applicable Mode Adjustment Date and, if a Substitution Date occurs prior to the next subsequent Rate Adjustment Date, then such Rate Period shall continue in effect only until the day preceding the applicable Substitution Date. Prior to the conversion of the interest rate on the Variable Rate Demand Bonds to another Interest Mode the "Rate Determination Date" shall be the first Business Day (generally Tuesday) immediately preceding each Rate Adjustment Date.

In determining the interest rate on the Variable Rate Demand Bonds, the Remarketing Agent is to have due regard for general financial conditions and such other conditions as, in the judgment of the Remarketing Agent, will have a bearing on the interest rate on the Variable Rate Demand Bonds, including the tender provisions applicable to the Variable Rate Demand Bonds during the forthcoming Rate Period. Each determination of the interest rate for the Variable Rate Demand Bonds will be conclusive and binding upon the Bondowners, the Agency, the Remarketing Agent, the Bank, the Trustee and any Paying Agent. Each month during which the Remarketing Agent determines the interest rate on the Variable Rate Demand Bonds, the Remarketing Agent will give the Trustee, any Paying Agent, the Agency and the Bank notice by electronic transmission of the interest rate determined for any Variable Rate Demand Bonds on any Rate Determination Date during the period covered by the report. Upon telephonic request, the Remarketing Agent will give any Bondowner of Variable Rate Demand Bonds notice of the interest rate on the Variable Rate Demand Bonds owned by such Bondowner. Failure by the Remarketing Agent to give any notice required under the General Resolution, or any defect in the notice, will not affect the interest rate borne by the Variable Rate Demand Bonds or the rights of the Bondowners of the Variable Rate Demand Bonds to tender their Variable Rate Demand Bonds for purchase in accordance with the provisions of the Twenty-Sixth Supplemental Resolution.

If for any reason, the Remarketing Agent fails to determine the interest rate or rates in accordance with the Resolution, or the interest rate or rates on the Variable Rate Demand Bonds during any Rate Period cannot be established as described above, or is held invalid or unenforceable by a court of law, the Variable Rate Demand Bonds shall automatically bear interest for any such Rate Period at a rate equal to the lesser of (i) the sum of the Securities Industry and Financial Markets Association Municipal Swap Index or its successor published by Municipal Market Data (the "Interest Index") plus 0.25% and (ii) the Maximum Rate.

Maximum Rate for Variable Rate Demand Bonds. The Maximum Rate means, with respect to any Variable Rate Demand Bonds other than Bank Bonds, the lesser of 12% per annum and the maximum rate permitted by law. The maximum rate with respect to Bank Bonds will be as provided in the Liquidity Facility.

Interest Rate on Purchased Variable Rate Demand Bonds. Bank Bonds will bear interest at the rate or rates, and shall be payable in such amounts and in such manner, as provided in the Liquidity Facility.

Interest Mode Adjustment Provisions for Variable Rate Demand Bonds. At the option of the Agency and upon certain conditions, the Variable Rate Demand Bonds may be converted from time to time, in whole or in part, to a Flexible Mode, an Auction Rate Mode or a Fixed Mode (collectively, the "Interest Modes"). Interest Modes are discrete time periods that control the frequency with which the interest rate on the Variable Rate Demand Bonds is determined by the Remarketing Agent. Any Variable Rate Demand Bonds converted to the Flexible Mode, Auction Rate Mode or Fixed Mode will no longer be eligible for tender for purchase at the option of the Bondowner.

The interest rate on the Variable Rate Demand Bonds shall be converted to a Fixed Mode unless FSA shall otherwise direct (i) upon the failure of the Bank to purchase Variable Rate Demand Bonds tendered or deemed tendered by the Owners thereof, (ii) upon a Liquidity Expiration Event (as hereinafter

defined), (iii) if Variable Rate Demand Bonds are held by the Bank as Bank Bonds for 45 days or more in any bond year, (iv) if there are two failed remarketings in any bond year or (v) if Bank Bonds bear interest at the maximum rate established therefor under the Liquidity Facility. A "Liquidity Expiration Event" means either (i) the termination of the Standby Bond Purchase Agreement at the option of the Agency or (ii) the stated expiration date of the Standby Bond Purchase Agreement if the Standby Bond Purchase Agreement is not extended in accordance with its terms as described under the heading "**THE VARIABLE RATE DEMAND BONDS—Liquidity Facility For Variable Rate Demand Bonds—*Extension, Reduction, Adjustment or Termination of Standby Bond Purchase Agreement***."

Any change of Interest Mode may take place on any "Mode Adjustment Date." A "Mode Adjustment Date" is any Business Day on which the Interest Mode for any Variable Rate Demand Bond is changed from one Interest Mode to a different Interest Mode.

Upon any change in the Interest Mode, the affected Variable Rate Demand Bonds are subject to mandatory tender for purchase to the Trustee. Notice of a change in the Interest Mode and any related mandatory tender must be sent to the Bondowners by mail not less than 15 days prior to the change in the Interest Mode.

If the Agency desires to convert any Variable Rate Demand Bonds to another Interest Mode, (i) the Trustee must receive a letter (or other evidence satisfactory to the Trustee) from each Nationally Recognized Credit Rating Agency confirming that the change in Interest Mode will not cause such entity to change the unenhanced credit ratings on any Variable Rate Demand Bonds outstanding and (ii) an opinion of Bond Counsel to the effect that the conversion of the interest rate on the Variable Rate Demand Bonds to another Interest Mode will not adversely affect the validity of the Variable Rate Demand Bonds or any exemption from federal income taxation to which interest on the Variable Rate Demand Bonds would otherwise be entitled. In addition, if the Variable Rate Demand Bonds are being converted to bear interest at a Flexible Mode, the length of the Flexible Period may not extend beyond the earlier of the scheduled mandatory tender date or the final maturity date of the Variable Rate Demand Bonds and in no event shall the length of the Flexible Period extend beyond the expiration date of the Liquidity Facility. If on the proposed Mode Adjustment Date, the conditions to the effectiveness of the change are not met, then such Variable Rate Demand Bonds shall remain Variable Rate Demand Bonds.

This Remarketing Circular is not intended to describe the terms of the Variable Rate Demand Bonds after their conversion to a Flexible Mode, Auction Mode or Fixed Mode.

Tender of Variable Rate Demand Bonds for Purchase

Tender at Option of Bondowner. Any Variable Rate Demand Bonds (other than Bank Bonds or Variable Rate Demand Bonds held by the Agency) are subject to tender for purchase by the Bondowner on any Business Day, upon notice as described below. Such Variable Rate Demand Bonds are subject to purchase at the option of the Bondowner at the "Purchase Price" (i.e., their principal amount plus any accrued interest to the Purchase Date at the rate applicable to the Variable Rate Demand Bond). To exercise this option, a Bondowner must give an irrevocable notice of tender (the "Tender Notice") stating: (i) the name and address of the registered owner, (ii) the principal amount of the Variable Rate Demand Bonds being tendered, (iii) the certificate number and CUSIP number of each Variable Rate Demand Bond being tendered and (iv) the Purchase Date. Such notice must be given to the Trustee or its agent not later than 5:00 p.m., New York City time, at its (or its agent's) office designated for such purpose on a Business Day at least seven calendar days prior to the Purchase Date which shall be any Business Day.

Mandatory Tender of Variable Rate Demand Bonds. The Variable Rate Demand Bonds are subject to mandatory tender for purchase (with no right to retain) (a) on the date specified in a notice of mandatory tender in connection with the delivery by the Agency to the Trustee of a Substitute Liquidity Facility (the "Substitution Date"), (b) at the direction of FSA upon the occurrence of any events described

in the second paragraph under the heading "**THE VARIABLE RATE DEMAND BONDS—*Interest Mode Adjustment Provisions for Variable Rate Demand Bonds***," (c) on each Mode Adjustment Date and (d) with respect to termination with notice of the Standby Bond Purchase Agreement by the Bank (upon the occurrence of certain events of default under the Standby Bond Purchase Agreement described under the heading "**THE VARIABLE RATE DEMAND BONDS—Liquidity Facility For Variable Rate Demand Bonds—*Events of Default***") prior to such termination (each a "Mandatory Tender Date"), in each case at a purchase price equal to 100% of the principal amount thereof plus accrued interest.

Notice of Mandatory Tender of Variable Rate Demand Bonds. The Trustee shall provide notice (a "Mandatory Tender Notice") to any Bondowner of Variable Rate Demand Bonds of any mandatory tender to which such Variable Rate Demand Bonds are subject. The Mandatory Tender Notice will be made by first-class mail at least 10 days prior to the Mandatory Tender Date and the notice will identify the Variable Rate Demand Bonds to be tendered, the reason for the mandatory tender, the Purchase Price, the Mandatory Tender Date, the place and manner of payment, and that no further interest will accrue to the Bondowner on such Variable Rate Demand Bond after the Mandatory Tender Date. Any properly mailed Mandatory Tender Notice will be conclusively presumed to have been duly given, whether or not received by the Bondowner of a Variable Rate Demand Bond.

Agency Not Responsible for Bank's Failure To Purchase Variable Rate Demand Bonds. Under the terms and provisions of the Remarketing Agreement and the Standby Bond Purchase Agreement, the purchase price of Variable Rate Demand Bonds in an amount equal to the principal amount thereof and accrued interest, if any, thereon will be payable from moneys furnished in connection with remarketing of the Variable Rate Demand Bonds or from the Standby Bond Purchase Agreement. The Agency is not responsible for any wrongful failure by the Bank to purchase Variable Rate Demand Bonds tendered at the option of the Owner thereof or subject to mandatory tender for purchase pursuant to the Resolution. Failure to purchase a Variable Rate Demand Bond tendered at the option of the Owner thereof or subject to mandatory tender for purchase and in accordance with the Resolution does not constitute an Event of Default under the Resolution. In the event of a failure by the Bank to purchase any Variable Rate Demand Bonds tendered or deemed tendered for purchase by the Owners thereof, such Variable Rate Demand Bonds shall automatically bear interest with the interest rate reset on a weekly basis at the lesser of (a) the Interest Index plus 1.0% or (b) the Maximum Rate until the conversion of the interest rate thereon to a Fixed Mode.

The occurrence of certain events will trigger an automatic and immediate termination or suspension without notice or tender of the obligation of the Bank to purchase pursuant to the Standby Bond Purchase Agreement (those events of termination under Standby Bond Purchase Agreement specified in paragraphs (a), (b), (c), (d) or (p) in the description of Events of Default under the heading "—**Liquidity Facility for Variable Rate Demand Bonds**—***Events of Default***" below) which would preclude the Trustee from drawing on the Standby Bond Purchase Agreement, in the event of a failed remarketing. In addition, certain events may permit the Bank to terminate the obligation of the Bank to purchase pursuant to the Standby Bond Purchase Agreement after providing 30 days' notice to the Trustee and the Agency (see the events of default listed in paragraphs (e), (f) or (o) in the description of Events of Default; see "**Liquidity Facility for Variable Rate Demand Bonds**—***Events of Default***" below) although during such 30 days the Bank remains obligated to pay the purchase price of any Variable Rate Demand Bond tendered but not remarketed.

Tender Provisions for Variable Rate Demand Bonds. Each Bondowner of Variable Rate Demand Bonds agrees to tender its Variable Rate Demand Bonds to the Trustee for purchase on the date prescribed by the Tender Notice or Mandatory Tender Notice. The Trustee will hold all tendered Variable Rate Demand Bonds (or portions thereof) for the benefit of the respective Bondowners until moneys representing the Purchase Price of such Variable Rate Demand Bonds (or portions thereof) are delivered to or for the account of or to the order of such Bondowners.

Any Variable Rate Demand Bonds that are not delivered to the Trustee in the time, place, and manner required by an applicable Tender Notice or Mandatory Tender Notice shall be deemed tendered and purchased by the Trustee on the Purchase Date. Interest accruing on such Variable Rate Demand Bonds on and after the Purchase Date will not be payable to such nontendering Bondowners, and such nontendering Bondowners will have recourse solely to the funds held by the Trustee for the purchase of such Variable Rate Demand Bonds.

Payment of Purchase Price of Variable Rate Demand Bonds. The Purchase Price of Variable Rate Demand Bonds tendered or required to be tendered for purchase will be paid, first, from amounts derived from the remarketing of the Variable Rate Demand Bonds; and second, from amounts derived from a draw on the Liquidity Facility.

If sufficient funds for the payment of the Purchase Price are held by the Trustee on the Purchase Date, a Bondowner's only rights with respect to the Variable Rate Demand Bonds required to be tendered for purchase will be to receive payment of the Purchase Price. If the Variable Rate Demand Bonds are surrendered to the Trustee at or prior to 12:00 p.m., New York City time, on the Purchase Date, then payment of the Purchase Price will be made in immediately available funds by 3:00 p.m., New York City time on the Purchase Date. The Purchase Price of a Variable Rate Demand Bond delivered after the time stated above is to be paid on the later of the next Business Day following (i) the Purchase Date or (ii) the date of delivery of such Variable Rate Demand Bond.

Payment of the Purchase Price shall be made by wire transfer to any Bondowner of at least $1,000,000 aggregate principal amount of Variable Rate Demand Bonds upon written notice from such Bondowner accompanying the applicable Tender Notice delivered to the Trustee and containing the wire transfer address, which must be in the continental United States.

Notwithstanding the foregoing, if Variable Rate Demand Bonds are held in book-entry only form, a Beneficial Owner shall have the right to optionally tender for purchase its beneficial interest in any Outstanding Bonds (or portion thereof in an authorized denomination) as described below. Such right shall be exercised by delivery by the Beneficial Owner to the Remarketing Agent at its principal office of an irrevocable written notice identifying the name and address of such Beneficial Owner and stating that such Beneficial Owner will cause its beneficial interest (or portion thereof in an Authorized Denomination) to be purchased, the amount of such interest to be purchased, the date on which such interest will be purchased (which date shall be a Business Day at least seven days after delivery of such notice to the Remarketing Agent) and specifying the Remarketing Agent as the Participant through which the Beneficial Owner maintains its interest. Upon delivery of such notice, the Beneficial Owner shall cause its beneficial ownership interest in the Variable Rate Demand Bonds (or the portion thereof specified in the foregoing notice) being purchased to be transferred to the Remarketing Agent at or prior to 11:00 a.m., New York City time, on the optional tender date, in accordance with the rules and procedures of the applicable book-entry depository.

Authorized Denominations for Variable Rate Demand Bonds. A Variable Rate Demand Bond may be tendered in whole or in part as described above, provided that in the case of a tender in part, both the portion of such Variable Rate Demand Bond tendered and the portion retained is in an "Authorized Denomination," which is $100,000 or any $5,000 integral multiple in excess thereof.

The Remarketing Agent Routinely Purchases Variable Rate Demand Bonds for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Variable Rate Demand Bonds for its own account and, in its sole discretion, routinely acquires such tendered Variable Rate Demand Bonds in order to achieve a successful remarketing of the Variable Rate Demand Bonds (i.e., because there otherwise are not enough buyers to purchase the Variable Rate Demand Bonds) or for other reasons.

However, the Remarketing Agent is not obligated to purchase Variable Rate Demand Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Variable Rate Demand Bonds by routinely purchasing and selling Variable Rate Demand Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Variable Rate Demand Bonds. The Remarketing Agent may also sell any Variable Rate Demand Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Variable Rate Demand Bonds. The purchase of the Variable Rate Demand Bonds by the Remarketing Agent may cause the interest rate to be lower than it would be if such Remarketing Agent did not purchase the Variable Rate Demand Bonds and may create the appearance that there is greater third party demand for the Variable Rate Demand Bonds in the market than is actually the case. The practices described above also may result in fewer Variable Rate Demand Bonds being tendered in a remarketing.

The Remarketing Agent

The Agency has appointed Wells Fargo Brokerage Services, LLC, as Remarketing Agent for the Variable Rate Demand Bonds pursuant to a Remarketing Agreement dated as of August 4, 2008, as amended (the "Remarketing Agreement"), between the Agency and the Remarketing Agent. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Variable Rate Demand Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Resolution and the Remarketing Agreement), all as further described herein. The Remarketing Agent is appointed by the Agency and is paid by the Agency for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Bondowners and potential purchasers of Variable Rate Demand Bonds.

Wells Fargo Brokerage Services, LLC ("WFBS") is a registered broker/dealer and a member of the FINRA and SIPC. WFBS is a brokerage affiliate of Wells Fargo & Company. WFBS is solely responsible for its contractual obligations and commitments. Nondeposit investment products offered by WFBS are not FDIC insured; are not obligations of, or generated by, any bank; and are subject to investment risk, including loss of principal. From time to time, Wells Fargo Bank, N.A. and other banks and companies affiliated with WFBS may lend money to an issuer of securities or debt that are underwritten or dealt in by WFBS. Within the prospectus or other documentation provided with each such underwriting or placement there will be a disclosure of any material lending relationship by an affiliate of WFBS with such an issuer and whether the proceeds of such an issuance of such debt securities will be used by the issuer to repay any outstanding indebtedness of any WFBS affiliate.

From time to time, WFBS may participate in a primary or secondary distribution of securities bought or sold by a purchaser of bonds. WFBS and its affiliates may also act as an investment advisor to issuers whose securities may be sold to a purchaser of those bonds.

Pursuant to the Resolution and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Variable Rate Demand Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Variable Rate Demand Bonds (including whether the Remarketing Agent is willing to purchase Variable Rate Demand Bonds for its own account). There may or may not be Variable Rate Demand Bonds tendered and remarketed on a remarketing date, the Remarketing Agent may or may not be able to remarket any Variable Rate Demand Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Variable Rate Demand Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Variable Rate Demand Bonds at the remarketing price. In the event the Remarketing Agent owns any

Variable Rate Demand Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Variable Rate Demand Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Remarketing Agent may buy and sell Variable Rate Demand Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require Bondowners that wish to tender their Variable Rate Demand Bonds to do so through the Agency with appropriate notice. Thus, investors who purchase the Variable Rate Demand Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Variable Rate Demand Bonds other than by tendering the Variable Rate Demand Bonds in accordance with the tender process.

The Remarketing Agent may suspend its duties immediately, in certain circumstances as set forth in the Remarketing Agreement. The Remarketing Agent may be removed as set forth in the Remarketing Agreement and the Remarketing Agent may resign, upon 60 days' prior written notice, without a successor having been named.

Swap Agreement for the Variable Rate Demand Bonds

In connection with the Variable Rate Demand Bonds, the Agency has entered into a variable to fixed interest rate swap agreement (the "Swap Agreement") with UBS AG (the "Swap Provider"). Under the Swap Agreement the Swap Provider is to pay the Trustee an amount calculated based on variable rate indices, and the Agency will pay the Swap Provider an amount calculated at a fixed rate of interest. The obligation of the Agency to make payments to the Swap Provider under the Swap Agreement is to be on parity with the Agency's obligation to pay Debt Service on the Bonds under the Resolution. Payments made to the Agency by the Swap Provider under the Swap Agreement are pledged as Revenues under the Resolution.

The Agency is obligated to make debt service payments on the Variable Rate Demand Bonds regardless of the performance of the Swap Provider of its obligations under the Swap Agreement.

Liquidity Facility for Variable Rate Demand Bonds

During the term of the Standby Bond Purchase Agreement, the Standby Bond Purchase Agreement will provide liquidity for the purchase of Variable Rate Demand Bonds which are delivered to the Trustee but not remarketed by the Remarketing Agent. In addition, the Standby Bond Purchase Agreement will provide liquidity for the mandatory purchase of tendered Variable Rate Demand Bonds (i) upon certain changes in interest rate periods, (ii) upon the expiration (without extension) of the Standby Bond Purchase Agreement, (iii) except as otherwise provided in the Resolution, upon the replacement of the Standby Bond Purchase Agreement with a Substitute Liquidity Facility and (iv) at the direction of TD Bank following the occurrence of certain Events of Termination or Events of Default under the Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement will expire on August 4, 2011, which is prior to the final maturity of the Variable Rate Demand Bonds, unless extended or terminated as described herein. The Agency has the right and may elect to terminate the Standby Bond Purchase Agreement in its discretion. Unless otherwise noted, all defined terms in this summary of the Standby Bond Purchase Agreement shall have the meaning ascribed to such terms in the Standby Bond Purchase Agreement.

UNDER CERTAIN CIRCUMSTANCES THE OBLIGATION OF TD BANK TO PURCHASE VARIABLE RATE DEMAND BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY TENDER MAY BE TERMINATED OR SUSPENDED WITHOUT A PURCHASE BY TD BANK. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE VARIABLE RATE DEMAND BONDS TENDERED BY THE OWNERS THEREOF OR SUBJECT TO

MANDATORY PURCHASE. IN ADDITION, THE STANDBY BOND PURCHASE AGREEMENT DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF PRINCIPAL OF OR INTEREST OR PREMIUM, IF ANY, ON THE VARIABLE RATE DEMAND BONDS. THE STANDBY BOND PURCHASE AGREEMENT PROVIDES FOR THE PURCHASE OF TENDERED VARIABLE RATE DEMAND BONDS ONLY.

Purchase of Tendered Variable Rate Demand Bonds by TD Bank

TD Bank has agreed to purchase during the Commitment Period (as defined in the Standby Bond Purchase Agreement), Tendered Variable Rate Demand Bonds which have been tendered for optional purchase or which are tendered for mandatory purchase and which are not remarketed as provided in the Resolution. The Commitment Period begins on the date the Standby Bond Purchase Agreement shall become effective and ends on the earliest of (a) August 4, 2011; (b) the Business Day following the date on which no Variable Rate Demand Bonds are Outstanding, (c) the close of business on the day which is one Business Day following the Conversion Date related to all of the Variable Rate Demand Bonds, (d) the close of business on the Business Day specified in a notice of termination delivered by the Bank pursuant to the Standby Bond Purchase Agreement or (e) the date on which the Available Commitment has been reduced to zero or terminated in its entirety pursuant to the Standby Bond Purchase Agreement. The price to be paid by TD Bank for Variable Rate Demand Bonds will be equal to the aggregate principal amount on such Variable Rate Demand Bonds without premium, plus interest accrued thereon on the Purchase Date, unless, in the case of interest, the Purchase Date is an Interest Payment Date. As described below, under certain circumstances the obligation of TD Bank to purchase tendered Variable Rate Demand Bonds will be automatically suspended or terminated, without prior notice or demand, and the Trustee will be unable to require the purchase of Variable Rate Demand Bonds under the Standby Bond Purchase Agreement.

Events of Default

The remedies upon the occurrence of an Event of Default or an Event of Termination under the Standby Bond Purchase Agreement differ significantly and depend upon the nature of the particular Event of Default or Event of Termination. See "**—Remedies Upon an Event of Default**" below.

Each of the following is an "Event of Default" under the Standby Bond Purchase Agreement:

(a) The Agency shall have failed to pay when due any amount payable under, or in respect of (including, without limitation, premium) the Variable Rate Demand Bonds (including, without limitation, Bank Bonds) and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Policy or the Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new bond insurer is substituted for FSA as the bond insurer without the Bank's prior written consent; or

(b) (i) Any material provision of the Policy in regards to making payment of principal and interest on the Variable Rate Demand Bonds at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, or (ii) the validity or enforceability thereof is contested by the Bond Insurer, or the Bond Insurer denies that it has any or further liability or obligation under the Policy; or

(c) A proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of

sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding, or the Bond Insurer shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall make a written declaration or admission of its failure generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it when due under any municipal insurance policy or policies (other than the Policy) issued by it insuring municipal obligations publicly rated by any of Moody's or S&P and such default shall continue for a period of seven (7) Business Days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any Commitment Fees or other fees payable to the Bank under the Standby Bond Purchase Agreement within ten (10) Business Days after the Trustee, the Agency and Bond Insurer have received notice from the Bank that the same were not paid when due and the Bond Insurer shall have failed to cure such default; or

(f) Nonpayment of any other amount when due under the Standby Bond Purchase Agreement, if such failure to pay when due shall continue for ten (10) Business Days after written notice thereof to the Agency and the Bond Insurer by the Bank and the Bond Insurer shall have failed to cure such default; or

(g) Any representation or warranty made by the Agency under or in connection with the Standby Bond Purchase Agreement or any of the documents required to be delivered by the Agency in connection with the issuance of the Variable Rate Demand Bonds shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Agency shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Agency shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Agency shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State of Vermont; the Agency shall have made a general assignment for the benefit of creditors; the Agency shall have failed generally to pay its debts as they become due; and the Agency shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Agency seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Agency, any purported

commencement of such an involuntary case or other proceeding against the Agency shall be deemed to constitute an involuntary case or other proceeding described in this clause (c) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Agency under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Agency by the Agency or the State of Vermont (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Agency; or

(i) The Agency shall have failed to pay when due any amount (other than the Variable Rate Demand Bonds) payable under, or in respect of (including, without limitation, premium) (x) any obligations issued pursuant to the Resolution, or (y) any other debt obligations of the Agency (1) payable generally from the assets of the Agency or (2) payable from or secured by the Revenues, Loans, Additional Security or other moneys, securities or funds held or set aside by the Agency under the Resolution, including amounts held in the Bond Reserve Fund (for purposes of this paragraph (i), "debt obligations" means any obligation, whether present or future, contingent or otherwise, as principal, surety or otherwise, in respect of borrowed money); or

(j) The failure on the part of the Agency to perform or observe any other term, covenant or agreement contained in the Standby Bond Purchase Agreement or any of the other documents delivered in connection with the issuance of the Variable Rate Demand Bonds on its part to be performed or observed and (a) with respect to any such term, covenant or agreement contained in the Standby Bond Purchase Agreement, any such failure remains unremedied for 30 days; and (b) with respect to any such term, covenant or agreement contained in any of the other such documents, any such failure remains unremedied after any applicable grace period specified in such other document; or

(k) The Resolution shall terminate or cease to be of full force and effect, other than as a result of any redemption or defeasance in full of the Variable Rate Demand Bonds; or

(l) The Agency shall have denied that it has any or any further obligation under the Variable Rate Demand Bonds or under the Standby Bond Purchase Agreement; and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Agency or over the transactions contemplated by the Standby Bond Purchase Agreement or by any of the other documents delivered in connection with the issuance of the Variable Rate Demand Bonds, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Agency under the Variable Rate Demand Bonds or under the Standby Bond Purchase Agreement is not a valid and binding obligation; or

(m) A final judgment or order for the payment of money in excess of $5,000,000 shall have been rendered against the Agency and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The occurrence of any "Event of Default" as defined in the Resolution; or

(o) The occurrence of (i) a Bond Rating Adverse Change and (ii) Moody's and S&P shall have downgraded the financial strength of the Bond Insurer to below "Aa3" (or its equivalent) or "AA-" (or its equivalent), respectively, or the rating is suspended or withdrawn by either S&P or Moody's for credit related reasons;

(p) Each of Moody's and S&P shall have downgraded the financial strength rating of the Bond Insurer to below investment grade or suspended or withdrawn its ratings for credit related reasons; or

(q) Moody's shall have downgraded the issuer credit rating of the Agency to below A2 (stable).

Remedies Upon an Event of Default

If any Event of Default occurs and is continuing, TD Bank has the following remedies:

The Bank's obligations to purchase the Variable Rate Demand Bonds under the Standby Bond Purchase Agreement shall (i) immediately terminate and expire upon (1) occurrence of any of the Events of Default listed in paragraphs (a), (b)(i), (c) or (d) above (each, an "Event of Termination") and (2) the occurrence of the Event of Default listed in paragraph (p) above, (ii) be immediately suspended as described below upon the occurrence of an Event of Default under paragraph (b)(ii) above and (iii) terminate not less than 30 days following the receipt by the Trustee of written notice by the Bank of the occurrence of any Event of Default under paragraphs (e), (f), or (o) listed in "**—Events of Default**" above.

In the case of Event of Termination or an Event of Default pursuant to (p) above, the Available Commitment, the Commitment Period and the obligation of TD Bank to purchase the Variable Rate Demand Bonds shall immediately terminate without notice or demand, and thereafter TD Bank shall be under no obligation to purchase the Variable Rate Demand Bonds. Promptly upon TD Bank's obtaining knowledge of any such Event of Termination, TD Bank shall give written notice of the same to the Trustee, the Agency, the Remarketing Agent and the Bond Insurer; provided, that TD Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the immediate termination of TD Bank's Available Commitment and of its obligation to purchase Variable Rate Demand Bonds pursuant to the Standby Bond Purchase Agreement.

In the case of an Event of Default under paragraphs (e), (f) or (o) listed in "**—Events of Default**" above, TD Bank may terminate the Available Commitment and Commitment Period by giving written notice to the Trustee, the Agency, the Remarketing Agent and the Bond Insurer, specifying the date on which the Available Commitment and Commitment Period shall terminate, which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee (the "Purchase Termination Date"), and on and after the Purchase Termination Date, TD Bank shall be under no further obligation to purchase Variable Rate Demand Bonds under the Standby Bond Purchase Agreement.

In the case of an Event of Default specified in paragraph (b)(ii) above, TD Bank's obligation to purchase the Variable Rate Demand Bonds shall be immediately suspended without notice or demand and thereafter TD Bank shall be under no obligation to purchase the Variable Rate Demand Bonds until the Available Commitment is reinstated as described in the Standby Bond Purchase Agreement. Promptly upon TD Bank's obtaining knowledge of any such Event of Default, TD Bank shall give written notice of the same to the Agency, the Trustee, the Remarketing Agent and the Bond Insurer; provided, that TD Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of TD Bank's obligation to purchase the Variable Rate Demand Bonds. If a court with jurisdiction to rule on the validity of the Policy shall thereafter enter a final, unappealable judgment that the Policy is not valid and binding on the Bond Insurer, then TD Bank's obligation to purchase the Variable Rate Demand Bonds shall immediately terminate. If a court with jurisdiction to rule on the validity of the Policy shall find or rule that the Policy is valid and binding on the Bond Insurer, TD Bank's obligation to purchase the Variable Rate Demand Bonds shall be automatically reinstated and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless otherwise terminated or suspended by its terms). Notwithstanding the foregoing,

if, upon the earlier of the Expiration Date or the date which is three (3) years after the effective date of suspension of TD Bank's obligation, litigation is still pending and a judgment regarding the validity of the Policy as is the subject of such Event of Termination has not been obtained, then the Available Commitment and the obligation of TD Bank to purchase the Variable Rate Demand Bonds shall at such time immediately terminate, and thereafter TD Bank shall be under no obligation to purchase Variable Rate Demand Bonds.

Subsequent to the occurrence of an event described in paragraphs (c) or (d) above (each a "Potential Event of Termination") and during the period of time set forth therein for such event to mature into an Event of Termination, TD Bank's obligation to purchase the Variable Rate Demand Bonds shall be immediately suspended without notice or demand and thereafter TD Bank shall be under no obligation to purchase Variable Rate Demand Bonds until the Available Commitment is reinstated as described hereafter. Promptly upon TD Bank obtaining knowledge of any such Potential Event of Termination, TD Bank shall give written notice of the same to the Agency, the Trustee, the Remarketing Agent and the Bond Insurer; provided, however, that TD Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of TD Bank's obligations under the Standby Bond Purchase Agreement. In the event such Potential Event of Termination is cured prior to becoming an Event of Termination, TD Bank's obligations shall be automatically reinstated and the terms of the Standby Bond Purchase Agreement will continue in full force and effect (unless it is otherwise terminated or suspended by its terms).

In addition to the rights and remedies set forth in the preceding paragraphs, in the case of any Event of Default, upon the election of TD Bank: (i) all amounts payable under the Standby Bond Purchase Agreement (other than payments of principal and redemption price of and interest on the Variable Rate Demand Bonds or payments of Excess Bond Interest) shall upon notice to the Agency become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Agency; and (ii) TD Bank shall have all the rights and remedies available to it under the Standby Bond Purchase Agreement, the Related Documents, the Bond Insurance Policy or otherwise pursuant to law or equity; provided, however, that TD Bank shall not have the right to terminate its obligation to purchase the Variable Rate Demand Bonds or to declare any amount due thereunder due and payable except as expressly provided, or to accelerate the maturity date of the Variable Rate Demand Bonds except as provided in the Resolution. Without limiting the generality of the foregoing, TD Bank agrees to purchase Variable Rate Demand Bonds on the terms and conditions of the Standby Bond Purchase Agreement notwithstanding the institution or pendency of any bankruptcy, insolvency or similar proceeding with respect to the Agency. TD Bank will not assert as a defense to its obligation to purchase Variable Rate Demand Bonds under the Standby Bond Purchase Agreement (A) the institution or pendency of a bankruptcy, insolvency or similar proceeding with respect to the Agency, or (B) a determination by a court of competent jurisdiction in a bankruptcy, insolvency or similar proceeding with respect to the Agency that the Standby Bond Purchase Agreement is not enforceable against the Agency under applicable bankruptcy, insolvency or similar laws. This paragraph shall not limit the exercise of TD Bank's remedies expressly provided for above.

Extension, Reduction, Adjustment or Termination of the Standby Bond Purchase Agreement

The Standby Bond Purchase Agreement will expire on August 4, 2011, unless earlier terminated or, with the consent of TD Bank in its sole and absolute discretion, extended for an additional period or periods, in each case in accordance with the provisions of the Standby Bond Purchase Agreement.

Upon (i) any redemption, defeasance or other payment of all or any portion of the principal amount of the Variable Rate Demand Bonds or (ii) any purchase by TD Bank of Variable Rate Demand Bonds tendered or deemed tendered in accordance with the terms of the Resolution, TD Bank's purchase commitment under the Standby Bond Purchase Agreement with respect to principal of Variable Rate Demand Bonds shall automatically be reduced by the principal amount of the Variable Rate Demand

Bonds so redeemed, defeased or otherwise paid or purchased, as the case may be. TD Bank's commitment with respect to interest shall be equal to one hundred eighty-seven (187) days' interest on the principal amount of Variable Rate Demand Bonds (assuming an interest rate of twelve percent (12%) per annum). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the redemption, defeasance or other payment of Variable Rate Demand Bonds or the purchase by TD Bank of Variable Rate Demand Bonds tendered or deemed tendered in accordance with the terms of the Resolution.

Limitations of the Standby Bond Purchase Agreement

The ability to obtain funds under the Standby Bond Purchase Agreement in accordance with its terms may be limited by federal or state law. Bankruptcy, conversatorship, receivership and similar laws governing financial institutions or any provider of a Standby Bond Purchase Agreement may prevent or restrict payment under the Standby Bond Purchase Agreement. To the extent the short-term rating on the Variable Rate Demand Bonds depends on the rating of TD Bank, the short-term ratings on the Variable Rate Demand Bonds could be downgraded or withdrawn if TD Bank were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Standby Bond Purchase Agreement.

The obligation of TD Bank to purchase unremarketed Variable Rate Demand Bonds pursuant to the Standby Bond Purchase Agreement is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Standby Bond Purchase Agreement is not a guaranty to pay the purchase price of Variable Rate Demand Bonds tendered for purchase. The Standby Bond Purchase Agreement is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the Variable Rate Demand Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty.

The Bank

The following information has been provided by the Bank for use in this Remarketing Circular. Such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Agency or the Remarketing Agent. This information has not been independently verified by the Agency or the Remarketing Agent. No representation is made by the Agency or the Remarketing Agent as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

TD Bank, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and, operating under the names TD Bank and TD Banknorth, offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust, investment advisory and insurance agency services. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont and Virginia.

On October 2, 2007, TD entered into a merger agreement with Commerce Bancorp, Inc. ("Commerce"), the holding company for Commerce Bank, N.A., Philadelphia, Pennsylvania, and Commerce Bank/North, Ramsey, New Jersey (together, the "Commerce Banks"), which provided for Commerce to be acquired by TD. The acquisition was consummated on March 31, 2008. On May 31, 2008, the Commerce Banks merged with and into TD Banknorth, N.A. ("TD Banknorth"). In connection with this merger, the Bank's legal name was changed to "TD Bank, N.A." As of March 31, 2009, the

Bank had consolidated assets of $107.0 billion, consolidated deposits of $79.9 billion and stockholder's equity of $19.5 billion, based on regulatory accounting principles.

Additional information regarding the foregoing is available from the filings made by TD with the U.S. Securities and Exchange Commission (the "SEC"), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD, the Bank and the Commerce Banks contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Standby Bond Purchase Agreement has been issued by the Bank and is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
P.O. Box 9540
Portland, ME 04112-9540
Attn: Corporate Communications
Mail Stop: ME 089-71

Information regarding the financial condition and results of operations of the Bank is contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at https://cdr.ffiec.gov/public. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to in this subsection "–**The Bank**" is correct as of any time subsequent to its date.

Redemption Provisions

Sinking Fund Redemption. The Variable Rate Demand Bonds are subject to mandatory redemption in part at a redemption price equal to the Principal Amount thereof plus accrued interest thereon, without premium, through application of Sinking Fund Installments on the dates and in the amounts as follows:

Series 22C Variable Rate Demand Bonds Due November 1, 2034

Due	Principal Amount	Due	Principal Amount
May 1, 2015	$210,000	May 1, 2025	$335,000
November 1, 2015	215,000	November 1, 2025	345,000
May 1, 2016	220,000	May 1, 2026	355,000
November 1, 2016	225,000	November 1, 2026	360,000
May 1, 2017	230,000	May 1, 2027	370,000
November 1, 2017	235,000	November 1, 2027	380,000
May 1, 2018	240,000	May 1, 2028	390,000
November 1, 2018	245,000	November 1, 2028	400,000
May 1, 2019	255,000	May 1, 2029	410,000
November 1, 2019	260,000	November 1, 2029	420,000
May 1, 2020	265,000	May 1, 2030	430,000
November 1, 2020	270,000	November 1, 2030	440,000
May 1, 2021	275,000	May 1, 2031	450,000
November 1, 2021	285,000	November 1, 2031	460,000
May 1, 2022	290,000	May 1, 2032	475,000
November 1, 2022	300,000	November 1, 2032	485,000
May 1, 2023	305,000	May 1, 2033	500,000
November 1, 2023	310,000	November 1, 2033	510,000
May 1, 2024	320,000	May 1, 2034	525,000
November 1, 2024	325,000	November 1, 2034†	480,000

† Maturity

The amounts of semi-annual sinking fund installments set forth above are subject to reduction as a result of optional or special redemption of Variable Rate Demand Bonds subject to sinking fund redemption. At the time of any special or optional redemption of such bonds, the amount of each future sinking fund installment will be reduced as shall be determined in a certificate of the Agency such that the total amount of such reductions equals the amount of such special or optional redemption.

The amounts accumulated for each sinking fund installment may be applied by the Trustee to the purchase of the Variable Rate Demand Bonds for which such sinking fund installment is established at any time prior to the 45th day preceding the due date of such sinking fund installment. In the event that Variable Rate Demand Bonds are purchased in an amount sufficient to satisfy the next sinking fund installment scheduled therefor and amounts allocable to such sinking fund installment remain on deposit in the Debt Service Fund, such amounts may be applied to the purchase of Bonds of such maturities (and may be applied to reduce the sinking fund installments of such Bonds subject to sinking fund redemption) as the Agency may determine, provided that prior to any such purchase or reduction on other than a pro rata basis the Agency will be required to deliver to the Trustee a Projection of Revenues.

Whenever Variable Rate Demand Bonds are to be redeemed in part, whether through the application of sinking fund installments or otherwise, Variable Rate Demand Bonds which (a) have been tendered for purchase and have not been remarketed or (b) are then held by the Bank pursuant to the Standby Bond Purchase Agreement, shall be selected for redemption prior to the selection of any other Variable Rate Demand Bonds.

Optional Redemption. The Variable Rate Demand Bonds are subject to redemption prior to maturity from any available moneys at the option of the Agency in whole or in part at a Redemption Price equal to 100% of the principal amount plus accrued interest on any Business Day. The Trustee shall select by lot the Variable Rate Demand Bonds of a particular maturity to be so redeemed.

Special Redemption.

Series 22C Loan Prepayments. The Series 22C Bonds, including the Variable Rate Demand Bonds, will be subject to redemption in whole or in part on any date at a Redemption Price equal to 100% of the principal amount thereof, plus interest accrued thereon to the redemption date from Loan Prepayments allocable to Loans allocable to the Series 22C Bonds (the "Series 22C Loans"). In redeeming the Series 22C Bonds from Loan Prepayments allocable to the Series 22C Loans, the Agency shall select Series 22C Bonds for redemption as follows:

(a) the Agency shall first redeem the Series 22C Premium PAC Bonds (the "Premium PAC Bonds"), but only to the extent that the outstanding principal amount of such Premium PAC Bonds following such redemption is not less than the Premium PAC Term Bond Outstanding Applicable Amount as of such date, which is calculated based on the assumed receipt of and for the Series 22C Loans at 75% of the Securities Industry and Financial Markets Association ("SIFMA") prepayment standard or model (the "PSA Prepayment Model") as set forth in the table below;

(b) amounts remaining following the redemptions specified in clause (a) above shall be applied to redeem the Variable Rate Demand Bonds, but only to the extent that the outstanding principal amount of such Variable Rate Demand Bonds following such redemption is not less than the Variable Rate Demand Bonds Outstanding Applicable Amount as of such date, which is calculated based on the assumed receipt of Loan Prepayments allocable to Series 22C Loans at 100% of the PSA Prepayment Model, see table below;

(c) amounts remaining following the redemptions specified in clauses (a) and (b) above shall be applied, unless otherwise directed by the Agency, to the redemption of those maturities of the Series 22C Bonds (excluding the Variable Rate Demand Bonds and the Premium PAC Bonds) which would produce, as nearly as practicable, a pro rata redemption of the Series 22C Bonds (excluding the Variable Rate Demand Bonds and the Premium PAC Bonds) to the extent that any of the Series 22C Bonds (excluding the Variable Rate Demand Bonds and the Premium PAC Bonds) remain outstanding;

(d) amounts remaining following the redemptions specified in clauses (a), (b) and (c) above shall be applied, unless otherwise directed by the Agency, to the redemption of any Premium PAC Bonds that remain outstanding; and

(e) amounts remaining following the redemptions specified in clauses (a), (b), (c) and (d) above shall be applied, unless otherwise directed by the Agency, to the redemption of any Variable Rate Demand Bonds that remain outstanding.

Any optional redemption of the Series 22C Bonds as described under the heading "—**Redemption Provisions; Optional Redemption**" above will reduce the Series 22C Premium PAC Term Bond Outstanding Applicable Amount described above for the current and each future semiannual period by an amount equal to the product of such amounts and a fraction the numerator of which equals the sum of the amount of moneys disbursed from the Special Redemption Account to redeem Series 22C Bonds and the denominator of which equals the sum

of the amount of moneys initially deposited by the Trustee in the Series 22C Program Account for the purchase of Mortgage Loans.

The Premium PAC Term Bond Outstanding Applicable Amount is as follows:

Date	Premium PAC Term Bond Outstanding Applicable Amount	Date	Premium PAC Term Bond Outstanding Applicable Amount
June 8, 2005	$7,100,000	November 1, 2008	$4,070,000
November 1, 2005	7,100,000	May 1, 2009	3,180,000
May 1, 2006	7,055,000	November 1, 2009	2,330,000
November 1, 2006	6,860,000	May 1, 2010	1,510,000
May 1, 2007	6,395,000	November 1, 2010	735,000
November 1, 2007	5,755,000	May 1, 2011	-0-
May 1, 2008	4,965,000		

[Remainder of page intentionally left blank]

The Variable Rate Demand Bonds Outstanding Applicable Amount is as follows:

Date	Variable Rate Demand Bonds Outstanding Applicable Amount	Date	Variable Rate Demand Bonds Outstanding Applicable Amount
June 8, 2005	$13,800,000	May 1, 2020	$5,990,000
November 1, 2005	13,800,000	November 1, 2020	5,455,000
May 1, 2006	13,800,000	May 1, 2021	4,945,000
November 1, 2006	13,800,000	November 1, 2021	4,460,000
May 1, 2007	13,800,000	May 1, 2022	4,000,000
November 1, 2007	13,800,000	November 1, 2022	3,565,000
May 1, 2008	13,800,000	May 1, 2023	3,150,000
November 1, 2008	13,800,000	November 1, 2023	2,765,000
May 1, 2009	13,800,000	May 1, 2024	2,400,000
November 1, 2009	13,800,000	November 1, 2024	2,060,000
May 1, 2010	13,800,000	May 1, 2025	1,740,000
November 1, 2010	13,800,000	November 1, 2025	1,450,000
May 1, 2011	13,800,000	May 1, 2026	1,175,000
November 1, 2011	13,800,000	November 1, 2026	920,000
May 1, 2012	13,800,000	May 1, 2027	695,000
November 1, 2012	13,800,000	November 1, 2027	490,000
May 1, 2013	13,800,000	May 1, 2028	305,000
November 1, 2013	13,800,000	November 1, 2028	140,000
May 1, 2014	13,800,000	May 1, 2029	55,000
November 1, 2014	13,800,000	November 1, 2029	50,000
May 1, 2015	12,940,000	May 1, 2030	45,000
November 1, 2015	12,105,000	November 1, 2030	40,000
May 1, 2016	11,310,000	May 1, 2031	35,000
November 1, 2016	10,540,000	November 1, 2031	30,000
May 1, 2017	9,805,000	May 1, 2032	25,000
November 1, 2017	9,095,000	November 1, 2032	20,000
May 1, 2018	8,415,000	May 1, 2033	15,000
November 1, 2018	7,770,000	November 1, 2033	10,000
May 1, 2019	7,150,000	May 1, 2034	5,000
November 1, 2019	6,555,000	November 1, 2034	-0-

No assurance can be given that Loan Prepayments on the Series 22C Loans will conform to any level of a particular prepayment projection, schedule or model or that Loan Prepayments on the Series 22C Loans will be available to be applied to redemptions of any of the Series 22C Bonds, including the Variable Rate Demand Bonds and the Premium PAC Bonds. The rates of loan prepayments on mortgage loans are generally influenced by a variety of economic, geographical, social and other factors, including servicing decisions, changing property values, prevailing interest rates and the time within which mortgage loans are originated. In general, if prevailing interest rates fall significantly below the interest rates on a pool of mortgage loans, such mortgage loans may be likely to prepay at higher rates than if prevailing interest rates remain at or above the interest rates on such mortgage loans. Conversely, if prevailing interest rates rise above the interest rates on a pool of mortgage loans, the rate of loan prepayments might be expected to decrease. The rates of delinquencies and foreclosures on the Series 22C Loans will also affect the expected special redemption schedules. The Agency cannot predict the number of Series 22C Loans that may become delinquent or in foreclosure proceedings. For these reasons, the Agency cannot offer any assurances as to the rate at which the Series 22C Loans will prepay and offers no assurance that the scheduled amounts will, in fact, be available to

affect any redemptions described herein. In addition, the Variable Rate Demand Bonds are subject to optional redemption, at par, at any time as described under the heading "**—Redemption Provisions; Optional Redemption**" above.

Other Amounts in the Special Redemption Account. Pursuant to the Resolution, the Series 22C Bonds (excluding the Variable Rate Demand Bonds and the Premium PAC Bonds if the redemption would result in outstanding balances below the applicable Outstanding Applicable Amount in the respective tables) are subject to redemption by operation of the Special Redemption Accounts in the Redemption Fund, as a whole or in part at any time at par plus accrued interest to the date of redemption from certain excess money under the Resolution deposited in the Special Redemption Account for any Series of Bonds, including payments of principal of and interest on Loans in excess of amounts necessary (i) to pay interest on or principal of Bonds when due and (ii) to maintain the Bond Reserve Fund at the Bond Reserve Fund Requirement and the Rebate Fund at the Rebate Requirement. See "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Revenues and Revenue Fund**" and "**—Redemption Fund**."

Pursuant to the General Resolution, prior to any purchase or redemption of Series 22C Bonds the Agency must file with the Trustee a Projection of Revenues showing either that (a) anticipated Revenues, together with any other moneys available for the purpose remaining after such redemption, will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, or (b) if not, that in the judgment of the Agency such purchase or redemption will result in a greater amount of Revenues and other funds available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses than would be the case if such purchase or redemption is not effected. Notwithstanding the foregoing, no Projection of Revenues shall be required for the application of any amounts in a Special Redemption Account solely to the redemption of Bonds of the Series to which such Account is applicable if such amounts shall be applied to the redemption of Bonds of each maturity and of similar tenor of such Series outstanding in the same proportion as the Bonds of such maturity and similar tenor outstanding bear to the Bonds of all maturities of similar tenor of such Series outstanding.

Loans may not be originated and purchased in an aggregate amount equal to the amount of funds available for such purpose for many reasons. One of the principal factors in originating real estate loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford. The Agency has determined that there is presently a shortage of funds in the State available to make such loans at interest rates competitive with that specified for the Loans. This condition could change during the origination period for the Loans. For example, prevailing interest rates for conventional mortgages in the State could decrease or other loans with a rate and terms equivalent to or more favorable than the rate and terms of the Loans could be made available by mortgage lenders. In the event that, prior to all the Loans being originated by the Mortgage Lenders, additional funds to make loans were to become available in the State at rates competitive with those specified for the Loans, the Mortgage Lenders might not be able to utilize all of the funds available for the origination of Loans.

For all Series of Bonds, the Code imposes certain requirements as to the qualification of potential mortgagors for Loans and the purchase price of the residences which may become subject to a Loan. These requirements restrict the ability of potential mortgagors and residential units to qualify for Loans and thereby may materially impair the Agency's ability to purchase Loans. The requirements are subject to change and may become more restrictive, thereby resulting in a decrease in the number of potential mortgagors or residential units eligible for inclusion in the Program. See "**CERTAIN FEDERAL TAX MATTERS**."

Principal prepayments of any Loans and, in certain circumstances, scheduled principal payments of Loans, to the extent such amounts are not used to purchase additional Loans, will be used to redeem an appropriate portion of Bonds, including the Variable Rate Demand Bonds, by special mandatory

redemption as provided in the Resolution. No reliable prediction can be made with regard to the level of prepayment in full or other early termination of loans, including the Loans and the Prior Resolution Loans. The Agency does expect prepayment of some of the Loans. Accordingly, the Variable Rate Demand Bonds may have a substantially shorter life than their stated maturities or sinking fund redemption dates.

Notice of Redemption of Bonds. When the Trustee receives notice from the Agency, according to the provisions of the Resolution, of its election to redeem Bonds, the Trustee will give notice of such redemption to the Owner or Owners of the Bonds as appropriate (DTC, in the event that such Bonds are in book-entry form), which notice will specify the series, maturities and tenor of the Bonds to be redeemed, the redemption date and the places where amounts due upon redemption will be payable. The Resolution provides that with respect to the Bonds the Trustee will mail a copy of the notice of redemption not more than 60 days and not less than 30 days before the redemption date, to the Owners of all such Bonds to be redeemed. Failure to mail any such notice to the Owner of any Bond or any defect in such notice will not affect the validity of the redemption of any other Bond for which the required notice was given.

BOOK-ENTRY SYSTEM

General

Ownership interests are available to purchasers only through a book-entry system (the "Book-Entry System") maintained by The Depository Trust Company ("DTC"), New York, New York, or such other depository institution designated by the Agency pursuant to the Indenture. Purchasers of beneficial interests in the Variable Rate Demand Bonds do not receive certificates reflecting their interests in the Variable Rate Demand Bonds.

DTC will act as securities depository for the Variable Rate Demand Bonds. The Variable Rate Demand Bonds are issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered security certificate has been issued for each maturity of the Variable Rate Demand Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its Direct Participants deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of its Direct Participants and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE VARIABLE RATE DEMAND BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OR OWNERS OF THE VARIABLE RATE DEMAND BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE VARIABLE RATE DEMAND BONDS.

To facilitate subsequent transfers, all Variable Rate Demand Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Variable Rate Demand Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Variable Rate Demand Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Variable Rate Demand Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the Variable Rate Demand Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Variable Rate Demand Bonds to be redeemed.

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

Principal or redemption price of and interest payments on the Variable Rate Demand Bonds is to be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date payment is due in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payment is due. Payments by Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Bond Registrar, the Paying Agent or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to DTC is the responsibility of the Trustee, disbursement of

such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Variable Rate Demand Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Variable Rate Demand Bonds by causing the Direct Participant to transfer the Participant's interest in the Variable Rate Demand Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Variable Rate Demand Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Variable Rate Demand Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Variable Rate Demand Bonds to the Remarketing Agent's DTC account.

The Agency and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the Variable Rate Demand Bonds registered in its name (or the name of its nominee) for the purpose of payment of the principal of and premium, if any, or interest on the Variable Rate Demand Bonds, selecting the Variable Rate Demand Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners under the Indenture, registering the transfer of Variable Rate Demand Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary.

Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant, an Indirect Participant or otherwise) to notify the Beneficial Owner of any such notice and its content or effect shall not affect the validity of the redemption of the Variable Rate Demand Bonds called for redemption or of any other action premised on such notice.

When reference is made to any action which is required or permitted to be taken by the Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC. DTC shall forward (or cause to be forwarded) the notice to the DTC Participants so that such DTC Participants may forward (or cause to be forwarded) the notices to the Beneficial Owners.

For every transfer and exchange of a beneficial ownership interest in the Variable Rate Demand Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the Variable Rate Demand Bonds at any time by giving reasonable notice to the Agency or the Trustee. In the event that no satisfactory substitute depository is found to replace DTC, or if the Agency determines that Beneficial Owners should be able to obtain Variable Rate Demand Bond certificates, the Agency or the Trustee is obligated to deliver Variable Rate Demand Bonds, as appropriate, as described in the Indenture. In the event such Variable Rate Demand Bond certificates are issued, the Beneficial Owner, upon registration of the Variable Rate Demand Bonds held in such Beneficial Owner's name, shall become the Owner for purposes of the Indenture and the provisions of the Indenture shall apply to, among other things, the transfer and exchange of certificates and the method of payment of principal of and interest on the Variable Rate Demand Bonds.

NEITHER THE AGENCY, NOR THE TRUSTEE, NOR THE BOND REGISTRAR, NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (ii) THE TIMELY PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE VARIABLE

RATE DEMAND BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS BY DTC UNDER THE INDENTURE; (iv) THE SELECTION BY DTC OF ANY DIRECT OR INDIRECT PARTICIPANT AND THE SELECTION BY SUCH DIRECT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE VARIABLE RATE DEMAND BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The information included under this caption (except for the preceding paragraph) has been provided by DTC. No representation is made by the Agency, the Remarketing Agent or the Trustee as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof.

SINGLE FAMILY MORTGAGE PURCHASE PROGRAM

General

The Agency has established a program to use the proceeds of Bonds to finance the purchase or making of Loans to Eligible Borrowers (hereinafter defined) from mortgage lenders (the "Program"). Pursuant to the General Resolution, proceeds of Bonds may be used to purchase or make Mortgage Loans, Cooperative Housing Loans (either of which may be Qualified Rehabilitation Loans), Home Improvement Loans, Loan Securities or Residential Housing Loans that meet the requirements of the Act, the General Resolution and the applicable supplemental resolution and that are made to finance the purchase, construction, rehabilitation, refinancing or improvement of Residential Housing (collectively, the "Loans").

Series 22C Program

The Twenty-Sixth Supplemental Resolution limits the Series 22C Program to the purchase or making of Mortgage Loans (excluding Mortgage Loans for the construction of Residential Housing). The Agency reserved the right to make appropriate modifications to the Series 22C Program and to amend the Program Documents (hereinafter defined) in order to finance Loans for the construction of Residential Housing, Home Improvement Loans, Cooperative Housing Loans and Qualified Rehabilitation Loans, provided that the Agency delivers to the Trustee evidence that such use will not adversely affect the unenhanced ratings then assigned to any Bonds outstanding by any Nationally Recognized Rating Agency; to date the Agency has not made any material modifications to such Series 22C Program other than permitting the pooling and sale of Series 22C Mortgage Loans made pursuant to guidelines described below for a corresponding purchase and deposit to the Resolution of Freddie Mac Certificates. Loans relating to other Series of Bonds under the Resolution may also be so pooled, sold and redeposited in the form of Fannie Mae Certificates or Freddie Mac Certificates.

Construction loans, if any, may be made to finance the construction and to provide for the permanent financing of Eligible Residences. Construction loans involve a higher degree of risk than permanent financing. For example, due to fraud, negligence or other circumstances, the newly constructed residence may, after expending the proceeds of the construction loan, have a fair market value that is less than the proceeds of the construction loan. In the event that upon the default of the Mortgagor it is necessary to sell the residence in order to realize the value of the Mortgage Loan, the Series 22C Program may suffer a loss that may not be covered by the mortgage insurance on the loan. For additional information about Qualified Rehabilitation Loans and Home Improvement Loans, see "**CERTAIN FEDERAL INCOME TAX MATTERS—Qualified Rehabilitation Loans**" and "**—Home Improvement Loans**."

The Agency offered several Loan products to finance Eligible Residences. A portion of the amount available to finance loans was made available to Eligible Borrowers who opt to receive

downpayment assistance grants (repayable in certain instances) in the amount of 3.00% of the principal amount of each Program Loan ("Downpayment Assistance Loans"). In addition, the Agency offered zero point Program Loans without downpayment assistance ("Unassisted Loans") and both one step and three step Program Loans (the "Stepped Rate Mortgage Loans"). One and two point options were available with respect to the Unassisted Loans at interest rates fifteen and thirty basis points lower, respectively, than the then applicable interest rate for zero point Unassisted Loans and a one point option will be available with respect to Stepped Rate Mortgage Loans at interest rates fifteen basis points lower than the then applicable initial interest rate for zero point Stepped Rate Mortgage Loans. The Agency reserved the right to provide other forms of Loan products.

Amounts on deposit in the Series 22C Program Account were used primarily to purchase Eligible Mortgage Loans. An Eligible Mortgage Loan is a Mortgage Loan made by a Mortgage Lender to an Eligible Borrower to finance the purchase of eligible residential property (an "Eligible Residence"). Eligible Borrowers are Persons and Families of Low and Moderate Income (a) none of whom had a present ownership interest in a dwelling at any time during the three-year period prior to the closing of this Mortgage Loan, unless the residence financed is located in certain "targeted areas," (b) none of whom is qualified without governmental assistance (including a mortgage credit certificate) for a loan of equal down payment and amortization requirements under any other fixed interest-rate mortgage loan program then being offered by the Mortgage Lender, (c) who otherwise meet the requirements of the Agency in the Procedural Guide, and (d) who intend to occupy the Eligible Residence as a permanent principal residence within 60 days (90 days in the case of Qualified Rehabilitation Loans) after the date the Mortgage Loan is made. See "**CERTAIN FEDERAL INCOME TAX MATTERS**."

The term "Persons and Families of Low and Moderate Income" means persons and families whose annualized gross monthly income does not exceed the amounts established by the Agency from time to time pursuant to the Act and which does not exceed the maximum amounts permitted by the Internal Revenue Code of 1986, as amended (the "Code"), which amounts will be adjusted for family size as required by the Code.

An Eligible Residence may consist of an owner-occupied single family residence consisting of not more than two dwelling units (other than a mobile home or manufactured housing that is not permanently affixed to real property) and such appurtenant land as is reasonably necessary to maintain the basic livability of the dwelling unit and as does not provide, other than incidentally, a source of income to the Eligible Borrower to whom a Mortgage Loan is made (a "Mortgagor"), which dwelling and land (a) is occupied or intended for occupancy by the Mortgagor as his domicile and not as an investment property, a recreational home, or for use primarily in a trade or business and (b) has a purchase price that does not exceed the limits established by the Agency pursuant to the Procedural Guide. See "**CERTAIN FEDERAL INCOME TAX MATTERS**."

Mortgagors who sell a home purchased with a Mortgage Loan within nine years of the date of the purchase of such home may be subject to a federal recapture tax (See "**CERTAIN FEDERAL INCOME TAX MATTERS—Recapture Provision**"). For Mortgage Loans made on or after February 1, 2006, the Agency has agreed to reimburse Mortgagors for any recapture tax actually paid by Mortgagors.

Mortgage Loan Origination and Purchase Agreements

The Agency has entered, or will enter, into an Origination Agreement (the "Origination Agreement") with each of the Mortgage Lenders, pursuant to which the Mortgage Lenders agree to originate from time to time and sell to the Agency, at par, and, unless the Agency directs otherwise, to service on its behalf, an unspecified principal amount of eligible Mortgage Loans. Although a Mortgage Lender is not required to originate a specified principal amount of Mortgage Loans, once the Mortgage Lender has originated Mortgage Loans and the Agency has reserved funds for those Mortgage Loans, such Mortgage Loans must be offered for sale and delivered to the Agency.

Under the Agency's current Program Documents, the Origination Agreements relate only to eligible Mortgage Loans and do not contemplate the origination of Cooperative Housing Loans, Qualified Rehabilitation Loans or Home Improvement Loans. The Origination Agreements provide that the term of each eligible Mortgage Loan will be a maximum of 30 years, and that each eligible Mortgage Loan must be guaranteed by the United States Department of Agriculture/Rural Development (formerly the Farmers Home Administration, "USDA/RD"), insured by the Federal Housing Administration ("FHA") or by private mortgage insurance, guaranteed by the Veteran's Administration (the "VA") or meet the requirements specified in the Procedural Guide and the General Resolution for uninsured Mortgage Loans.

Each Mortgage Lender represents and warrants in the Origination Agreement, among other things, that (a) each Mortgage Loan is evidenced by a note and secured by a mortgage and constitutes a first lien on an Eligible Residence, (b) each Mortgage Loan would be a prudent investment for its own account, (c) each Mortgage Loan complies with the provisions of the Act, and (d) each Mortgage Loan is an eligible Mortgage Loan.

In addition to the representations and warranties made by the Mortgage Lenders with respect to Mortgage Loans to be purchased by the Agency, certain other conditions, some of which are outlined below, must exist or must be warranted to exist by the Mortgage Lender at each date on which the Agency buys Mortgage Loans (the "Closing Date"). The Mortgage Loans must be current in payments of principal and interest and no counterclaim, offset, defense, or right of rescission may exist that can be asserted and maintained by the Mortgagor against the Agency, as assignee of the Mortgage Loans. The assignment to the Agency of each Mortgage Loan must convey a valid first lien on an Eligible Residence as to which the Mortgagor has marketable record title. The Mortgage Lender is to hold each executed assignment of Mortgage Loans in its files and is to agree to record such assignment upon the Agency's request. The improvements upon the real property subject to each Mortgage Loan must be covered by a valid and subsisting policy of hazard insurance issued by a company lawfully doing business in the State in an amount equal to the lesser of 100% of the insurable value of said improvements at the time of the origination of said Mortgage Loan and the original principal amount of the Mortgage Loan, and such improvements must be fully completed except to the extent disclosed to and approved by the Agency. As of the Closing Date, the Mortgage Lender must certify that it has complied with the requirements of the Procedural Guide with respect to all Mortgage Loans offered for purchase (except to the extent waived in writing by the Agency).

Notwithstanding the warranties and certifications of the Mortgage Lender, the Agency reserves the right at all times to decline to purchase any Mortgage Loan that, in its reasonable opinion, does not conform to the requirements of Section 143 of the Code, and the regulations thereunder ("Section 143"), the Act, the Origination Agreement, the Servicing Agreement and the Procedural Guide. For a summary of certain requirements of Section 143, see "**CERTAIN FEDERAL INCOME TAX MATTERS**."

If any representation of the Mortgage Lender in the Origination Agreement proves to have been untrue when made, or in the event of breach or failure of any warranty made therein or any term thereof, the Mortgage Lender will be liable to the Agency for all damages suffered by the Agency as a result thereof. In addition, the Mortgage Lender may be required to repurchase any Mortgage Loan if (a) the Agency discovers facts that existed as of the Closing Date that, among other things, cause the Mortgage Loan to be other than an eligible Mortgage Loan, or (b) the Mortgage Lender fails to obtain or maintain mortgage insurance upon which the Agency relies in purchasing the Mortgage Loan.

The Agency has reserved the right to act in the future as a direct lender to Eligible Borrowers pursuant to the Series 22C Program.

Contract Underwriting

At time of issuance of the Series 22C Bond the Agency had contracted with Mortgage Guaranty Insurance Corporation ("MGIC") to provide credit and compliance underwriting services on Mortgage Loans to be originated under the Series 22C Program. Credit underwriting requires an analysis of the creditworthiness of borrowers and the condition of the property to be financed based upon Agency guidelines set forth in the Procedural Guide. Compliance underwriting requires an analysis of eligibility criteria designed to satisfy federal and state laws, i.e. acquisition cost limits and income limits.

The Agency has implemented a delegated underwriting program for some of its participating lenders under the Series 22C Program. This delegated underwriting program allows participating lenders to be responsible for the initial underwriting of the Mortgage Loans. The Agency has contracted with MGIC to provide credit and compliance underwriting services on these Mortgage Loans (as described in the above paragraph) after these Mortgage Loans have been purchased by the Agency. The participating lenders will still be subject to repurchase obligations and guidelines as described in the Origination Agreements.

Mortgage Loan Servicing Agreements

The Agency has entered or will enter into a Servicing Agreement (a "Servicing Agreement") with each mortgage loan servicer (a "Servicer") that is to service Mortgage Loans under the Series 22C Program, other than any Mortgage Loans pooled into Freddie Mac Certificates. It was also anticipated that certain Mortgage Lenders will originate and service their own loans. The Mortgage Loans originated by Mortgage Lenders that are not acting as Servicers are to be serviced by the Agency (or a subservicer of the Agency) or assigned to a Servicer. Approximately 44%[*] of the portfolio of Mortgage Loans under the Resolution is being serviced on behalf of the Agency by a subservicer.

Each of the Servicers is to collect on the terms and on the several payment dates specified in the mortgage notes, the Revenues and escrow payments, if any, on each Mortgage Loan in the same manner as is employed by the Servicers with respect to servicing its own mortgage loans and in accordance with the provisions of the related Procedural Guide. Each month the Servicers may withhold, as their servicing fees, an amount equal to one-twelfth of one-quarter of one percent of the principal balance of each related Mortgage Loan, but only to the extent monthly payments are received with respect to a Mortgage Loan. In the event of any default in the payment of any Mortgage Loan not under a Freddie Mac Certificate, the Agency, upon recommendation of the Servicer, is to commence, and prosecute to judgment, appropriate legal proceedings to collect such payments and to take such other action as the Agency may reasonably require. Under Vermont law, a mortgagor has a period of redemption of up to six months from the entry of judgment to pay all interest and principal due in order to maintain ownership, provided, however, that such redemption period may be reduced in the court's discretion. Except for the prevention of waste, during the period of redemption, the Agency will be precluded from exercising rights of ownership in the mortgaged Eligible Residence, including the renting or selling of the same. A mortgagor or a mortgagee may request a public sale of mortgaged property. However, under Vermont law, no sale of a dwelling house of two units or less, when occupied by the owner as a principal residence, may take place within seven months of service of the foreclosure complaint, unless the court finds that the occupant is making waste of the property. The Servicer is also required to collect all insurance proceeds and remit the same in accordance with Agency requirements.

---

[*] The percentage of Mortgage Loans serviced by the Agency or its subservicer will diminish upon completion of plans to securitize a portion of the Mortgage Loans it or its agents service. See "**SECURITY FOR THE BONDS—Loans**" **herein**

All collections of Revenues, after deducting the servicing fee, are to be received in trust by the Servicers for the Agency and deposited with a depository in an account or accounts in the name of the Trustee (which may be non-interest bearing) and retained until required by the Procedural Guide to be remitted to the Trustee.

Under each Servicing Agreement, the Servicers are required to obtain all municipal and other tax or assessment statements against the mortgaged Eligible Residence and pay the same in time to prevent any interest penalty; it is to advance on behalf of the Agency, in time to avoid an involuntary sale, any taxes, assessments or other charges for which escrow payments could be provided that are not paid when due and that could become a lien under Vermont law or federal law against the mortgaged premises superior to the lien of the Mortgage Loan; and it is to advance on behalf of the Agency any premiums for hazard insurance not paid when due within sufficient time to keep said policies in force.

Under the Servicing Agreements, the Servicers are to notify the Agency of any Mortgage Loan that is two payments in arrears on a form prescribed by the Agency and at the same time is to recommend to the Agency the appropriate action to be taken to cure such delinquency or default. The Servicers are required to keep detailed books and records pertaining to each Mortgage Loan, and all Revenues, escrow payments, collections, and defaults on Mortgage Loans, all in accordance with generally accepted accounting principles and the Procedural Guide, and to make such books and records available for examination by the Agency or its designated agents at all times during the regular business hours of the Servicer.

A Servicer may assign its servicing obligations under the Servicing Agreement to another mortgage loan servicer or to the Agency, subject to the prior written approval of the Agency, provided that the Servicer shall remain liable to the Agency for any breach of duty or misconduct whatsoever of its assignee to the same extent as it would be liable if there were no assignment.

The Agency may terminate any Servicing Agreement if the Servicer thereunder initiates or suffers any proceedings of insolvency or reorganization under the Bankruptcy Code or other federal or state receivership laws or makes any common law assignment for the benefit of creditors, assigns its rights and duties under the Servicing Agreement without consent of the Agency, or fails to perform any one or more of its obligations under the Servicing Agreement or the Procedural Guide and continues in default thereof for a period of 60 days after notice by the Agency of said failure.

The Servicing Agreements requires each Servicer to maintain a blanket coverage fidelity bond in an amount and form acceptable to the Agency with a surety duly authorized to issue such coverage in the State. The fidelity bond is to cover all employees of the Servicer or other persons who, under the direction, control or permission of the Servicer, will from time to time deal with the collections of Revenues and escrow payments, earned interest, documents, papers or things of value relating to the Mortgage Loans of the Agency, and must insure the Servicer against loss resulting from dishonesty or fraud by such employees.

In the event that the Agency determines to finance Qualified Rehabilitation Loans, Cooperative Housing Loans, Loans for the construction of Residential Housing or Home Improvement Loans with amounts in the Series 22C Program Account, the Agency will make appropriate modifications to the Program Documents.

Mortgage Insurance Requirements

Mortgage Loans and Cooperative Housing Loans purchased with amounts in the Series 22C Program Account or the proceeds of prior Series of Bonds issued under the General Resolution must:

- be in an amount not more than 80% of the value of the property securing the Loan; or

- be insured or guaranteed by the USDA/RD, the FHA or the VA, or another agency or instrumentality of the United States or the State to which the powers of any of them have been transferred, or which is exercising similar powers with reference to the insurance or guarantee of Mortgage Loans, or be insured by a private mortgage insurance company qualified to do business in the State and to provide insurance on mortgages purchased by Freddie Mac or Fannie Mae, in either case provided that the insured portion of any claim is at least equal to the amount by which the Loan exceeds 80% of the appraised value of the property subject to the Mortgage; or

- be insured, guaranteed or otherwise secured by a program of self-insurance established by or on behalf of the Agency provided that the use of any such program does not adversely affect the unenhanced ratings then assigned to the Bonds by any Nationally Recognized Credit Rating Agency.

The aforementioned insurance and guarantee programs provide different, although comparable, coverage for losses. In addition, any mortgage insurance or guarantee program requirements that may be applicable to Loans financed with the proceeds of additional Bonds may not provide comparable coverage for losses. There is no requirement that Home Improvement Loans, if any, be insured or guaranteed. See "**SECURITY FOR THE BONDS—Additional Security**."

Pursuant to federal law, primary mortgage insurance with respect to residential mortgage loans, such as the Mortgage Loans, originated after July 28, 1999, will automatically terminate when the scheduled principal balance of the mortgage loan, based on the original amortization schedule for the mortgage loan, is reduced to 78% or less of the value of the mortgaged property at the time of origination, provided the mortgage loan is current.

For information concerning mortgage insurance and guarantee coverage with respect to the Agency's existing Loans see **APPENDIX I** and for information concerning certain mortgage insurance and guarantee programs and procedures see **APPENDIX III**.

As of June 1, 2009, the Agency has taken steps towards the pooling and sale of certain of the Mortgage Loans under the Resolution for a corresponding purchase and deposit to the Resolution of Freddie Mac Certificates. The approximate principal amount of the Mortgage Loan securitization is $35,500,000, with the settlement date for such securitization expected to occur on or before July 31, 2009. Such securitization is expected to strengthen the security of the assets pledged under the Resolution.

Changes in Federal or State Law

Legislation affecting the Agency's Mortgage Loans may be considered and enacted by the United States Congress or the State legislature. No assurance can be given that the consideration or enactment of any such legislation will not have an adverse effect on the value of, the timing or amount of payments of, or the security for the Bonds or other risks.

Over the past year a number of financial institutions and related entities have announced large losses as a result of their mortgage activities and the increasing number of defaults and foreclosures on such mortgages. The United States Congress may pass consumer protection and bankruptcy legislation as a result of the adverse effects of the mortgage situation on individuals and families in the United States. Bankruptcy legislation is currently pending in the United States Congress that would authorize bankruptcy courts to reduce or "cram down" the principal amounts and/or interest rates on mortgage loans on principal residences. Likewise, the State legislature may enact consumer protection legislation relating to mortgage loan origination and servicing. Such legislation, if enacted, could have an adverse effect on the Agency's single family mortgage program, including its ability to originate new single family mortgage loans, to collect payments under single family mortgage loans and to foreclose on property securing single family mortgage loans.

A number of state regulatory authorities have recently taken action against certain loan originators and servicers for alleged violations of state laws. Certain of those actions prohibit those servicers from pursuing foreclosure actions. In response to alleged abusive lending and servicing practices, the State could enact legislation or implement regulatory requirements that impose limitations on the ability of mortgage loan servicers to take actions (such as pursuing foreclosures) that may be essential to service and preserve the value of the single-family loans. Any such limitations that applied to the Agency's single-family loans could adversely affect the Agency's ability to collect amounts due on such loans and could impair the value of such loans.

On March 4, 2009, the U.S. Department of the Treasury announced guidelines to enable mortgage loan servicers to begin modifications of eligible mortgage loans under the Homeowner Affordability and Stability Plan. No assurance can be given whether the Agency, or any of the Agency's Servicers, will commence the modification of the Agency's single family mortgage loans pursuant to such guidelines.

The March 4, 2009, guidelines referred to above stated that FHA would formulate a program for modification of FHA loans. As of June 30, 2009, less than one percent by aggregate principal balance of the Loans were FHA-insured and the Agency anticipates that any such modification of FHA-insured loans would have a negligible effect on the Loan portfolio, which, together with other revenues and assets available under the Resolution, is the source of payment and security for the Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The General Resolution contains terms and conditions relating to the issuance and sale of Bonds, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the General Resolution, to which reference is hereby made, copies of which are available from the Agency or the Trustee. Summary definitions of certain terms used in the General Resolution and below are set forth in **APPENDIX IV** to this Remarketing Circular.

In addition to the provisions of the General Resolution summarized below, the Twenty-Sixth Supplemental Resolution sets forth provisions specific to the Variable Rate Demand Bonds and the terms and conditions of the Variable Rate Demand Bonds as well as additional covenants and security provisions applicable to the Variable Rate Demand Bonds (see "**THE VARIABLE RATE DEMAND BONDS**" and "**SECURITY FOR THE BONDS**"). The Twenty-Sixth Supplemental Resolution also establishes additional procedures and requirements in order to meet the requirements of the Code such that interest on the Variable Rate Demand Bonds shall be and remain excludable from gross income for federal income tax purposes. See "**CERTAIN FEDERAL INCOME TAX MATTERS**."

Resolution as Contract with Bondowners

The Resolution constitutes a contract among the Agency, the Trustee and the Bondowners. The pledge made in the Resolution and the provisions, covenants and agreements therein are for the equal benefit and security of all owners of the Bonds, all of which, regardless of their times of issue or maturity, rank equally without preference, priority or distinction of any Bond over another except as expressly provided in the Resolution.

Pledge of the Resolution

As security for the payment of the Principal Amount and redemption price of and interest on the Bonds, the Agency in the Resolution pledges and grants a security interest in (a) all Revenues, (b) all Loans and any other Revenue producing contracts and all rights and interests of the Agency incident thereto and the proceeds thereof, (c) subject to the provisions of the applicable supplemental resolution, all Additional Security, if any, and all the rights and interests incident thereto and the proceeds thereof, and (d) all moneys, securities and Reserve Deposits in all funds and accounts created by or pursuant to the

Resolution (except the Rebate Fund), whether any of the foregoing is now existing or is hereafter acquired, subject only to the provisions of the Resolution permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Resolution. The Resolution provides that, to the extent permitted by law, the foregoing pledge will be valid and binding from the time of the delivery by the Agency of the first Bond, will be effective as to all such rights and other pledged property whether now existing or hereafter coming into existence, whether now held or hereafter acquired by the Agency, and whether or not segregated or held in trust by the Agency. The Resolution further provides that the rights, Revenues, Loans, Reserve Deposits, contracts, other property and proceeds so pledged will immediately be subject to the lien of such pledge without any physical delivery or segregation thereof or further act and the lien of such pledge will be valid and binding against any and all parties having a claim of any kind, in tort, contract or otherwise, against the Agency, irrespective of whether such parties have notice thereof.

Authorization and Issuance of Bonds

Bonds of the Agency may be issued from time to time in one or more Series without limitation as to amount except as provided in the Resolution or as may be limited by law. The Bonds will be special obligations of the Agency. Under the Resolution the Agency may issue Fixed-Rate Bonds, Variable-Rate Bonds, Tender Bonds, Discount Bonds or Compound Interest Bonds. The Agency may issue a Series of Bonds by adopting a supplemental resolution and delivering to the Trustee, among other things:

- A counsel's opinion stating in effect, among other things, that the Bonds are valid and binding special obligations of the Agency, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Act, as amended to the date of such opinion, and the Resolution;

- Certificates of an authorized officer of the Agency (a) setting forth a Projection of Revenues giving effect to the issuance of such Series and demonstrating, among other things, that expected Revenues or other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year the Aggregate Debt Service when due on the outstanding Bonds and all Program Expenses or, if that is not the case, that in the judgment of the Agency the amount of Revenues and other funds available to pay in each Fiscal Year Aggregate Debt Service when due on all outstanding Bonds other than the Bonds of such new Series will be greater following issuance of such new Series of Bonds than would be the case if the Agency did not issue such new Series of Bonds, and (b) stating that as of the delivery of such Bonds and application of their proceeds, no Event of Default will have happened and will then be continuing; and

- An amount of cash, Investment Obligations, Reserve Deposits in a stated amount or other moneys, including proceeds of Bonds, such that following the issuance of the Bonds, the Bond Reserve Fund will at least equal the Bond Reserve Fund Requirement.

The Agency may, from time to time, issue one or more Series of Refunding Bonds upon compliance with the requirements of the Resolution and any applicable supplemental resolution to refund Bonds or any other obligations of the Agency issued to finance Loans qualifying under the Resolution.

The Agency may by resolution authorize the issuance of Notes in anticipation of the issuance of Bonds of a series. The principal and interest on such Notes and renewals thereof may be payable from and secured by any moneys of the Agency available therefor, from the proceeds of such Notes or from the proceeds of the sale of the Bonds in anticipation of which such Notes are issued on a priority over any other pledge of such proceeds created by the Resolution. The Agency may also pledge to the payment of such Notes the loans purchased with the proceeds of such Notes and the revenues received by the Agency on account of such loans; provided that upon delivery of the Bonds in anticipation of which such Notes

were issued and application of the proceeds thereof, all such loans and revenues shall be and become Loans and Revenues subject to the pledge of the Resolution for the benefit of the Bonds.

Additional Security

The Resolution provides that, to the extent that it will not adversely affect the unenhanced ratings then assigned to any Bonds outstanding by any Nationally Recognized Credit Rating Agency, in connection with the issuance of any Series of Bonds, the Agency may obtain or cause to be obtained letters of credit, lines of credit, surety bonds, insurance policies, guarantees or similar obligations or other agreements or instruments ("Additional Security") providing for or securing the payment of all or a portion of the Principal Installments or redemption price of and interest due or to become due on all or a portion of the Bonds of a Series or providing Reserve Deposits under the Resolution or providing for the purchase of such Bonds or a portion thereof by the issuer or obligor of any such Additional Security or providing for or securing the payment of all or a portion of the principal and interest and other payments to be made on the Loans allocable to such Series.

The obligations, if any, of the Agency related to any Additional Security may be secured by an agreement providing for the purchase, transfer or pledge of Bonds secured thereby, with such adjustments to interest rate, maturity or redemption provisions as the Agency may specify in the applicable supplemental resolution, or for the sale, transfer or pledge of Loans purchased with the proceeds of such Series to the issuer or obligor of such Additional Security or for such lien on Revenues, Loans, Reserve Deposits and other moneys and securities held under the Resolution as may otherwise be permitted by the Resolution. The Agency may also agree to reimburse (herein referred to as a "Reimbursement Obligation") the issuer or obligor of any such Additional Security for amounts paid under the terms of such Additional Security together with interest thereon and expenses related thereto. Any Reimbursement Obligation may be secured by a lien on and pledge of the Revenues, Loans, Reserve Deposits and other money, securities and rights held under the Resolution on a parity with the pledge created by the Resolution so long as such lien or pledge does not adversely affect the unenhanced ratings then assigned to the Bonds by any Nationally Recognized Credit Rating Agency.

Establishment of Funds and Accounts

The Resolution establishes or authorizes the establishment of the following funds and accounts to be held by the Trustee:

Program Fund
Program Accounts
Cost of Issuance Accounts
Capitalized Interest Accounts
Revenue Fund
Debt Service Fund
Bond Reserve Fund
Rebate Fund
Rebate Accounts
Redemption Fund
Optional Redemption Accounts
Special Redemption Accounts

In addition, the Twenty-Sixth Supplemental Resolution established the Series 22C Loan Loss Claim Fund, the Series 22C Contingency Account and the Series 22C Premium Account. See "**SECURITY FOR THE BONDS—Additional Security**."

Program Accounts

Upon the issuance, sale and delivery of any Series of Bonds, other than an issue of refunding Bonds, the Trustee will establish a separate Program Account within the Program Fund for such series. A Program Account will be used for the purchase or making of Loans. Loans may be purchased or made in part from moneys in one Program Account and in part from moneys in another Program Account. The Trustee, upon the written request of the Agency, will pay from a designated Program Account the amount stated in such written request to be payable to the designated Mortgage Lender or Lenders for or upon the purchase or making of the Loans specified in such request. The written request will certify that the amount of the payments requested does not exceed the purchase price of the Loans and that the Loans comply with the Resolution, the applicable supplemental resolution and the Act. Before disbursing to a Mortgage Lender the amounts specified in a written request, the Trustee will receive the original executed note evidencing the Loan to be so purchased or made, or, as applicable, the Loan Security so purchased, in either case, endorsed to the Agency.

All moneys transferred to a Program Account from the Revenue Fund pursuant to the Resolution (as described below under "Revenues and Revenue Fund") will be used to purchase or make Loans in the manner provided above. No such moneys will be applied to the purchase or making of Loans unless the Agency provides (a) a counsel's opinion to the effect that such purchase shall not adversely affect the exclusion of interest on any outstanding Bonds from gross income for Federal income tax purposes, and (b) a Projection of Revenue showing that following such purchase or origination expected Revenues and other funds available for the purpose will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses or, if not, that in the judgment of the Agency such purchase or origination will result in a greater amount of Revenues and other funds available to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses then would be the case of such Loans were not purchased or made.

Notwithstanding anything in the Resolution to the contrary, the Trustee will transfer from any Program Account to the Debt Service Fund any amounts necessary for the payment, when due, of Principal Installments of and interest on the Bonds to the extent that at any time no moneys are available therefor in any other funds and accounts established under the Resolution.

Revenues and Revenue Fund

Except as provided in any supplemental resolution authorizing Reserve Deposits or Additional Security, all Revenues will promptly upon receipt by the Agency be deposited in the Revenue Fund.

On or before each interest payment date for the Bonds, the Trustee will transfer from the Revenue Fund the balance on deposit in such Fund as follows in the following order of priority:

- To the Debt Service Fund, the amount necessary so that the balance therein equals the sum of all Principal Installments and interest due or to become due on such interest payment date on the outstanding Bonds;

- To the providers of municipal bond insurance on any Series of Bonds outstanding, the amount of the premium payable to such insurer on such interest payment date with respect to the applicable municipal bond insurance policy;

- To the Bond Reserve Fund, the amount necessary so that the amount therein equals the Funded Bond Reserve Fund Requirement, calculated as of such interest payment date;

- To the Program Fund and the appropriate Program Account therein, an amount equal to all amounts withdrawn therefrom and applied to the payment of accrued interest on

Loans when purchased, but only to the extent such amounts have not been previously restored to the Program Fund;

- To the Rebate Fund and the appropriate Rebate Account therein, the amount necessary so that the amount therein equals the Rebate Requirement;

- To one or more Program Accounts, as directed by the Agency, all or any portion of the remaining balance in the Revenue Fund allocable to such Accounts;

- To one or more Special Redemption Accounts in the Redemption Fund as directed by the Agency, all or any portion of the remaining balance allocable to such Accounts;

- Subject to the provisions of any supplemental resolution, to the payment or reimbursement of Program Expenses then due and payable, in such amounts and to such payees (including, in the case of reimbursements, the Agency) as may be specified in a certificate of the Agency delivered to the Trustee; and

- To the Agency for any of its lawful purposes free and clear of the pledge and lien of the Resolution, by payment to the Agency of all or any portion of the remaining balance in the Revenue Fund, but only upon receipt by the Trustee of a Projection of Revenues which shows that following such payment expected Revenues and other funds available for the purpose will be sufficient to pay in any Fiscal Year (a) Aggregate Debt Service on the outstanding Bonds when due, (b) all Program Expenses and (c) all required deposits, if any, into all funds and accounts established under the Resolution and under any applicable supplemental resolution.

Debt Service Fund

The Trustee will pay out of the Debt Service Fund to the respective paying agents on or before each interest payment date on any Bonds, the amount required for the interest and Principal Installments payable on such date. Amounts in the Debt Service Fund with respect to any sinking fund installment shall, if so directed by the Agency, be applied by the Trustee to the purchase of Bonds of the Series, maturity, interest rate and tenor for which such sinking fund installment was established or to the optional redemption of such Bonds then redeemable by their terms. As soon as practicable after the 45th day preceding the due date of any such sinking fund installment, the Trustee will call for redemption on such due date Bonds of the Series, maturity, interest rate and tenor for which such sinking fund installment was established in an amount sufficient to complete the retirement of the Principal Amount of the Bonds of such Series, maturity, interest rate and tenor as specified for such sinking fund installment.

Bond Reserve Fund

If at any time there are insufficient amounts in the Capitalized Interest Accounts, the Debt Service Fund, the Revenue Fund and the Redemption Fund to pay the Principal Installments and interest on the Bonds of any Series then due, the Trustee will withdraw from the Bond Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. Unless otherwise directed by the Agency, amounts so withdrawn from the Bond Reserve Fund shall be derived, first, from cash and Investment Obligations on deposit therein and, second, from draws or demands on Reserve Deposits or other Additional Security, if any, held as a part thereof upon the terms and conditions provided in such Reserve deposits or other Additional Security.

If at any time the amount on deposit in the Bond Reserve Fund exceeds the Funded Bond Reserve Fund Requirement, calculated as of such date, the Trustee will upon written direction of the Agency withdraw any such excess and deposit such excess in the Revenue Fund.

Redemption Fund

The Redemption Fund includes a Special Redemption Account and an Optional Redemption Account for each series. Except as provided in the Resolution or any supplemental resolution, amounts in the Special Redemption Account are to be used by the Trustee to purchase or redeem Bonds of the applicable Series at a price set forth in the applicable supplemental resolution. Notwithstanding the foregoing, all or any part of the moneys in a Special Redemption Account may be applied to the redemption of Bonds of any Series upon compliance with the requirements of the Resolution and receipt by the Trustee of a Counsel's Opinion to the effect that such application shall not adversely affect the exclusion from gross income of interest on any Bonds outstanding for federal income tax purposes. Amounts in the Optional Redemption Account are to be used by the Trustee to purchase or redeem Bonds of the applicable Series subject to redemption by operation of the Optional Redemption Account at a pace set forth in the applicable supplemental resolution. Prior to any such purchase or redemption, the Agency must also deliver to the Trustee a Projection of Revenues satisfying the conditions stated above under "**SECURITY FOR THE BONDS—Projection of Revenues**," provided that no Projection of Revenues shall be required for the application of any amounts in a Special Redemption Account to the redemption of Bonds of the Series to which such Account is applicable if such amounts shall be applied to the redemption of Bonds of each maturity and of similar tenor of such Series outstanding in the same proportion as the Bonds of such maturity and similar tenor outstanding bear to the Bonds of all maturities and of similar tenor of such Series outstanding.

Rebate Fund

Upon the issuance, sale and delivery of any Series of Bonds, the applicable supplemental resolution may but is not required to establish in the Rebate Fund a separate Rebate Account. Amounts in any individual Rebate Account will be used to rebate to the United States certain excess investment earnings as described below under "**CERTAIN FEDERAL INCOME TAX MATTERS—Requirements Related to Arbitrage**."

Moneys of the Agency

All amounts paid to the Agency under the Resolution for deposit in its General Fund will be free and clear of any lien or pledge created by the Resolution and may be used for any lawful purpose of the Agency.

Investments and Deposits

Except as otherwise provided below, moneys held for the credit of any fund or account under the Resolution will be invested by the Trustee at the direction of the Agency in Investment Obligations which mature or are redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments from such funds and accounts. Moneys in the Bond Reserve Fund may be invested by the Trustee at the direction of the Agency solely in the investments specified in clauses (1), (2), (3), (6), (8), (10) and (11) of the definition of Investment Obligations in **APPENDIX IV**. Investment Obligations purchased as an investment of moneys in any fund or account and Reserve Deposits held in any fund or account will be deemed at all times to be a part of such fund or account until transferred as provided in the Resolution.

In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, Investment Obligations will be valued at par if purchased at par or at amortized value if purchased at other than par. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any Investment Obligation. In computing the value of any Reserve Deposit held to the credit of any fund or account under the Resolution, such Reserve Deposit shall be valued at the unexpired, underway stated amount thereof.

Except as otherwise provided in a supplemental resolution, the income or interest earned by, or increment to, a fund or account due to the investment thereof will be transferred to the Revenue Fund except any income, interest or other increment earned on investment of the Rebate Fund, which amounts will be credited to such Fund.

Issuance of Additional Obligations

Except as permitted by the Resolution the Agency will not create or issue any obligations or create any additional indebtedness which will be secured by an equal or prior charge and lien on the Revenues, Loans, Reserve Deposits and other property pledged under the Resolution or which will be payable from any of the funds or accounts established by the Resolution, except that additional Series of Bonds may be issued from time to time pursuant to a supplemental resolution on a parity with the Bonds so long as the issuance of such additional Bonds will not adversely affect the unenhanced ratings then assigned to the Bonds outstanding by any Nationally Recognized Credit Rating Agency.

Covenants as to the Program

The Agency will use the proceeds of the Bonds and other moneys held under the Resolution, to the extent not reasonably required for other Program purposes of the Agency, to purchase or make Loans; Loans under the Resolution may also be pooled, sold and redeposited in the form of Fannie Mae Certificates or Freddie Mac Certificates. The Agency will do all such acts and things necessary to receive and collect Revenues and will take all actions and proceedings reasonably necessary for the enforcement of all terms, covenants and conditions of the Loans.

The Agency shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Loans including the prompt payment of all Revenues and all other amounts due the Agency thereunder. The Agency shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Agency and of the Bondowners under or with respect to each Loan provided that the Agency shall have the power and authority to settle a default on any Loan on such terms as the Agency shall determine to be in the best interests of the Agency and the Bondowners and to forbear from taking action with respect to enforcement of a Loan if it determines such forbearance to be in the best interests of the Agency and the Bondowners.

Whenever it shall be necessary in order to protect and enforce the rights of the Agency under a Loan and to protect and enforce the rights and interest of Bondowners under the Resolution, the Agency shall take or cause to be taken steps to enforce any policy or certificate of insurance or guaranty or Additional Security relating to a Loan and to foreclose the mortgage or enforce the security interest created by such Loan and to collect, hold and maintain or to sell or otherwise dispose of the collateral securing the note, mortgage or other instrument which is in default under the provisions of such Loan and if the Agency deems such to be advisable, shall bid for and purchase such collateral at any sale thereof and acquire and take possession of such collateral.

The Agency may sell, assign, transfer or otherwise dispose of any Loan or any participation or other interest therein which is in default or delinquent in the payment of principal or interest thereon if the Agency determines that such action is in the best interests of the Agency and Bondowners and will result in a greater availability of Revenues to pay Aggregate Debt Service when due and Program Expenses than would be the case if such Loan is not sold, assigned, transferred or otherwise disposed of, in which case such Loan may be so disposed of by the Agency free and clear of the pledge of the Resolution.

The Agency may sell, assign, transfer or otherwise dispose of any Loan or any participation or other interest therein which is not in default or delinquent in the payment of principal or interest thereon, or transfer any such Loan to itself free and clear of the pledge of the Resolution and at such price as the

Agency shall determine, provided that prior to any such disposition or transfer the Agency files with the Trustee a certificate of an Authorized Officer setting forth a Projection of Revenues showing that following such disposition or transfer anticipated Revenues, together with any other moneys available for such purposes, will be sufficient to pay in the current and each subsequent Fiscal Year Aggregate Debt Service when due and all Program Expenses, in which case such Loan may be disposed of or transferred by the Agency free and clear of the pledge of the Resolution. Except as otherwise provided in the supplemental resolution applicable to a particular Series of Bonds, the proceeds, if any, of sale, transfer or other disposition of any Loan which was not in default or delinquent in the payment of principal or interest thereon shall not constitute a Loan Prepayment under the Resolution and shall not be deposited directly or indirectly in a Special Redemption Account for any Series of Bonds outstanding.

Supplemental Resolutions

Any of the provisions of the Resolution may be amended by the Agency by a supplemental resolution with the written consent of the Owners of at least 60% in aggregate Principal Amount of the outstanding Bonds at the time such consent is given; provided however, that no such modification or amendment may permit a change in the terms of redemption or maturity of any outstanding Bonds or of any installment of interest on such Bonds or a reduction in the Principal Amount or the redemption price of such Bonds or the rate of interest thereon without the consent of the Owner of such Bonds, or reduce the percentage of the Bonds the consent of the Owners of which is required to effect any such modification or amendment, or change or modify any of the rights or obligations of the Trustee or any paying agent without the filing with the Trustee of its written assent thereto. Notwithstanding anything in this paragraph to the contrary, the Agency may not modify or supplement the Resolution as described in this paragraph with respect to a Series of Bonds insured by a policy of municipal bond insurance without the prior written consent of the applicable provider of such municipal bond insurance.

The Agency may adopt (without the consent of any Owners of the Bonds but with the consent of the Trustee) supplemental resolutions to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Events of Default

Events of Default specified in the Resolution include (a) failure to pay the Principal Installments or the redemption price of or interest on any Bond when due, (b) failure for 30 days after written notice thereof in the performance or observance of any other covenants, agreements or conditions specified in the Resolution, provided, however, that if such default cannot be remedied within such 30 day period, it will not constitute an Event of Default if the Agency institutes and diligently pursues corrective action until the default is remedied, and (c) the filing by the Agency of a petition seeking a composition of indebtedness under the federal bankruptcy laws, or a federal or State statute.

Remedies

Upon the happening and continuance of any Event of Default, the Trustee in its own name may proceed, and upon the written request of the Owners of not less than 25% in aggregate Principal Amount of the outstanding Bonds, must proceed, to protect and enforce its rights and the rights of the Bondowners by such suits, actions or proceedings as the Trustee shall deem most effectual to protect and enforce such rights, including for defaults other than a default in the performance of covenants, by declaring the Principal Amount of all Bonds then outstanding and the interest accrued thereon due and payable immediately.

Notwithstanding anything herein to the contrary, upon the occurrence and continuance of an Event of Default with respect to a Series of Bonds insured by a policy of municipal bond insurance, the related provider of such municipal bond insurance is entitled to control and direct the enforcement of all rights and remedies granted to the owners of the related Series of Bonds or the Trustee for the benefit of the owners of such Series of Bonds under the Resolution, including, without limitation: (a) the right to accelerate the principal of the related Series of Bonds and (b) the right to annul any declaration of acceleration, and the related municipal bond insurance provider is also entitled to approve all waivers of Events of Default.

Application of Revenues and Other Moneys After Default

If an Event of Default (other than a covenant default) happens and is not remedied, the Agency upon demand of the Trustee will assign, endorse and convey to the Trustee all Loans and will pay over to the Trustee upon receipt thereof all Revenues and other property pledged under the Resolution. Unless otherwise directed by a court, all such Revenues and other property and any other moneys received or collected by the Trustee will be applied as provided in the Resolution.

Defeasance

If the Agency pays the Principal Amount and interest, and redemption price, if any, to become due on all outstanding Bonds and pays or provides for the payment of all fees and expenses of the Trustee and any paying agents, then the pledge of Revenues, Loans, Reserve Deposits, Additional Security, if any, or other property pledged by the Resolution and all other rights granted by the Resolution will be discharged and satisfied. All outstanding Bonds of any Series will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of the foregoing sentence if, among other things, there have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations as defined in clauses (1), (2), (3) or (6) of the definition of Investment Obligations in **APPENDIX IV** the principal of and interest on which when due will provide moneys which will be sufficient, to pay when due the Principal Amount or redemption price, if applicable, of 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.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on a Series of Bonds insured by a policy of municipal bond insurance shall be paid the provider of such municipal bond insurance, such Series of Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge under the Resolution and all covenants, agreements and other obligations of the Agency to the registered owners shall continue to exist and shall run to the benefit of the related provider of the municipal bond insurance, and the related provider of the municipal bond insurance shall be subrogated to the rights of such registered owners.

TRUSTEE

The Trustee for the Variable Demand Rate Bonds is TD Bank, N.A. ("TD Bank"), with corporate offices located in Burlington, Vermont. The Trustee also serves as bond trustee for additional outstanding Bonds of the Agency.

TD Bank has entered into a Servicing Agreement with The Bank of New York Mellon Trust Company, N.A. ("Bank of New York"), under which Bank of New York will perform all payments and transfers relating to the Variable Rate Demand Bonds upon the direction of TD Bank.

PLEDGE AND AGREEMENT OF THE STATE

Under the Act, the State pledges and agrees with the Owners of bonds of the Agency that the State will not limit or restrict the rights vested in the Agency to perform its obligations and to fulfill the terms of any agreement made with the Owners of its bonds or in any way impair the rights and remedies of the Owners of the bonds until the bonds and interest thereon are fully met, paid and discharged.

The Act provides that bonds and other obligations of the Agency will not be deemed to constitute a debt or liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision, but will be payable solely from and secured solely by a pledge of certain Revenues, Loans and Funds and accounts established under the Resolution.

NO LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Agency, threatened, restraining or enjoining the conversion of the interest rate on the Variable Rate Demand Bonds to a Weekly Rate or in any way contesting or affecting any authority for such conversion or validity of the Variable Rate Demand Bonds, any proceedings of the Agency taken with respect to such conversion, the pledge or application of any money or security provided for the payment of the Variable Rate Demand Bonds or the existence or powers of the Agency.

INDEPENDENT AUDITORS

The financial statements of the Agency for the year ended June 30, 2008 included in **APPENDIX II** have been audited by KPMG LLP, independent certified public accountants, whose report thereon is also included in **APPENDIX II**. KPMG LLP has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Remarketing Circular.

RATINGS

It is expected that Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") and Moody's Investors Service, Inc. ("Moody's") will assign their short term ratings of "A-1+" and "VMIG1," respectively, to the Variable Rate Demand Bonds with the understanding that the Standby Bond Purchase Agreement will be delivered by the Bank on August 5, 2009; the long term ratings on the Series 22C Bonds are currently rated "AAA" (negative outlook) and "Aa3" (on review for possible downgrade), by Standard & Poor's and Moody's, respectively, with the understanding that the policy insuring the payment when due of principal of and interest on the Series 22C Bonds by FSA continues to be in effect. Such ratings reflect only the views of such organizations and an explanation of the significance of such ratings can only be obtained from the rating agency furnishing the same. There is no assurance such ratings will be continued for any given period of time or that they will not be changed by the rating agency furnishing the same, if, in the judgment of such rating agencies, circumstances so warrant. Any such change of such ratings may have an effect upon the market price or the marketability of the Variable Rate Demand Bonds. See "**APPENDIX V—CERTAIN INFORMATION REGARDING THE CREDIT ENHANCEMENT PROVIDER—Financial Security Assurance Inc.—*Recent Developments*—-Ratings**."

On the respective dates of the original issuance of the Variable Rate Demand Bonds, the underlying rating on the Series 22C Bonds was A+ by Standard & Poor's and Aa3 by Moody's. On January 7, 2009, Standard & Poor's lowered the underlying rating on the Agency's Single Family Housing Bonds (inclusive of the Series 22C Bonds) to BBB+ from A+ and on April 7, 2009, such Standard & Poor's rating was placed on Creditwatch with negative implications.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of holders and beneficial owners of the Variable Rate Demand Bonds to provide certain financial information and operating data relating to the Agency by not later than 180 days following the end of the Agency's Fiscal Year (which currently is June 30) (the "Annual Report"), commencing with the report for the 2007 Fiscal Year for the Variable Rate Demand Bonds, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each nationally recognized municipal securities information repository and with the state information repository designated as such by the State (the "State Repository"), if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board and with the State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "**APPENDIX VII—FORM OF THE CONTINUING DISCLOSURE AGREEMENTS**." The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

APPROVAL OF LEGALITY

All legal matters related to the authorization, issuance, sale and delivery of the Variable Rate Demand Bonds were subject to the approval of Kutak Rock LLP, Bond Counsel. The unqualified approving opinion of Bond Counsel in substantially the form attached hereto as **APPENDIX VI** was delivered upon the original issuance of the Variable Rate Demand Bonds. Certain legal matters relating to provisions of the Substitute Liquidity Facility and the remarketing of the Variable Rate Demand Bonds will be passed upon for the Agency by Elizabeth Mullikin Drake, General Counsel of the Agency, for the Remarketing Agent by Faegre & Benson LLP, Minneapolis, Minnesota, counsel to the Remarketing Agent and for the Bank by Murphy Sullivan Kronk, Burlington, Vermont, special counsel to the Bank.

TAX EXEMPTION

Upon the initial issuance of the Variable Rate Demand Bonds, Bond Counsel rendered its opinion that under then existing laws, regulations, rulings and judicial decisions, interest on the Variable Rate Demand Bonds is not includable in gross income for federal income tax purposes; provided, however, that interest on the Variable Rate Demand Bonds is a separate tax preference item for purposes of calculating the federal alternative minimum taxable income of individuals and corporations. Bond Counsel has not undertaken to determine whether any subsequent events have affected the tax exempt status of the Variable Rate Demand Bonds.

The Code provides that interest on obligations of a governmental unit such as the Agency issued to finance single family residences is excluded from gross income for federal income tax purposes only if certain requirements are met with respect to the terms, amount and purpose of the loans financed by the obligations, the nature of the residence and the mortgage and the eligibility of the borrower executing the mortgage. Such requirements must be satisfied on a continuing basis subsequent to the issuance of such obligations in order for interest thereon to remain excluded from gross income for federal income tax purposes. The Code requires that the Agency provide restrictions in all relevant documents to permit financing only in accordance with such requirements and that the Agency establish reasonable procedures to ensure compliance. See "**CERTAIN FEDERAL INCOME TAX MATTERS**."

The Agency has included provisions in the Resolutions and the Procedural Guide and has established certain procedures to ensure compliance with the requirements of the Code relating to the Loans. The Agency believes that the procedures established for the purpose of fulfilling the requirements of the Code are sufficient to ensure that the proceeds of the Variable Rate Demand Bonds will be applied in accordance with such requirements in order for interest on the Variable Rate Demand Bonds to remain excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, the

Procedural Guide together with the Resolutions establish procedures which, if followed, will cause such requirements to be satisfied.

The Code also establishes certain other requirements regarding the expenditure and investment of proceeds of the Variable Rate Demand Bonds and the payment of rebates to the United States. Failure by the Agency to comply subsequent to the date of issuance of the Variable Rate Demand Bonds with such requirements may cause interest on the Variable Rate Demand Bonds to become included in gross income retroactive to the date of issue of such Variable Rate Demand Bonds. The Agency has included provisions in the Resolutions to ensure compliance with these requirements and has covenanted to take all lawful action necessary under the Code to ensure that interest on the Variable Rate Demand Bonds will remain excluded from gross income for federal income tax purposes and to refrain from taking any action which would cause interest on the Variable Rate Demand Bonds to become included in gross income.

Although Bond Counsel has rendered its opinion that interest on the Variable Rate Demand Bonds is excluded from gross income for federal tax purposes, the accrual on receipt of interest on the Variable Rate Demand Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion on the date of issuance of the Variable Rate Demand Bonds regarding any such consequences. Purchasers of the Variable Rate Demand Bonds, particularly purchasers that are corporations (including subchapter S corporations and foreign corporations operating branches in the United States) property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Variable Rate Demand Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Variable Rate Demand Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Variable Rate Demand Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Vermont Taxes

The Act provides that bonds and notes of the Agency, including the Variable Rate Demand Bonds, and the interest thereon are at all times free from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes. The Variable Rate Demand Bonds and the income therefrom may be subject to taxation under the laws of states other than the State.

CERTAIN FEDERAL INCOME TAX MATTERS

General

Section 143 substantially restricts the use of tax-exempt bonds to finance single family housing. Under the Code, interest on bonds the proceeds of which are used to provide single family mortgages is not excluded from gross income for federal income tax purposes unless the bonds are part of a "qualified mortgage issue." An issue of bonds constitutes a "qualified mortgage issue" if all of the following requirements are met: (a) all proceeds of the issue (exclusive of proceeds applied to issuance costs and a reasonably required reserve) are to be used to finance owner-occupied residences, (b) the mortgages financed with the issue meet certain eligibility requirements described below, (c) the yield that is earned

and retained by the issuer of the bonds from such mortgages and from certain non-mortgage investments that are allocable to the issue, including investments that are held as part of a debt service reserve fund, does not exceed specified limitations (see "**Requirements Related to Arbitrage**" below), and (d) certain other requirements are met relating to the issue itself.

Residence Requirements

As required by Section 143, all Eligible Residences for which owner-financing is provided with the proceeds of the Variable Rate Demand Bonds must be single family residences consisting of one to four dwelling units located within the State (the Procedural Guide currently restricts such residences to not more than two dwelling units). Both the Agency and the Eligible Borrower to whom a Loan is made by a Mortgage Lender to finance an Eligible Residence (the "mortgagor") must reasonably expect that the Eligible Residence is or will become the mortgagor's principal residence within a reasonable time after the Loan is executed or assigned. Each mortgagor is required to certify at the closing of the Loan that such mortgagor has made or intends to make the Eligible Residence his principal residence within 60 days from the date of such closing, or 90 days in the case of a Qualified Rehabilitation Loan (as hereinafter defined). Under Section 143, the Agency may rely on such certification for purposes of satisfying this requirement.

Absence of Prior Home Ownership

Section 143 requires that at least 95% of the lendable proceeds of the Variable Rate Demand Bonds after deducting the portion of such proceeds used to make Loans in "targeted areas," Qualified Rehabilitation Loans or Home Improvement Loans, must be used to finance Eligible Residences for Eligible Borrowers who have not had a present ownership interest in a principal residence at any time during the three-year period before the Loan is made. Under Section 143, the Agency may rely on its or its agents' examination of federal income tax returns and the mortgagors' certifications for purposes of this requirement. The Procedural Guide requires each Mortgage Lender to obtain and examine (a) federal income tax returns of each mortgagor for the preceding three years, (b) a statement of such mortgagor in an affidavit to the effect that the mortgagor was not required to file any such return, or (c) a letter from the Internal Revenue Service stating that the mortgagor filed any such return on Form 1040A or 1040EZ.

Purchase Price Limitations

Section 143 requires that the "acquisition cost" of each Eligible Residence financed with the proceeds of Bonds may not exceed 90% (110% in the case of "targeted areas" as discussed below) of the "average area purchase price" applicable to such Eligible Residence. The determination of the average area purchase prices applicable to each Eligible Residence being financed must be made as of the date on which the Mortgage Lender commits to make the Mortgage Loan or, if earlier, the date of purchase of the Eligible Residence. The foregoing limitation does not apply to Qualified Rehabilitation Loans or Home Improvement Loans.

Targeted Areas

In order to comply with Section 143, the Agency made a portion of funds on deposit in the Series 22C Program Account available for Loans in "targeted areas" within the State for at least one year following the issuance date of the Series 22C Bonds. Areas that qualify as targeted areas are "qualified census tracts" and designated "areas of chronic economic distress." Nine counties within the State have been designated as areas of chronic economic distress. According to 2000 census data, 53% of the State's population resides in such counties. Section 143 specifically permits the purchase of Loans made to Eligible Borrowers who have had present ownership interests in principal residences within the three-year period prior to the making of the Mortgage Loans if the Eligible Residences financed with the proceeds of

the Loans are located within a targeted area or if the Loan is a Qualified Rehabilitation Loan or a Home Improvement Loan.

Income Limitations

Section 143 provides that, except in the case of "targeted areas," Loans are restricted to mortgagors where family incomes do not exceed 115% (100% in the case of families of two persons or less) of the greater of (a) the median family gross income for the area in which the Eligible Residence is located or (b) the statewide median family gross income. In the case of "targeted areas," two-thirds of the amount of mortgage financing provided to mortgagors in "targeted areas" must be provided to those whose family incomes do not exceed 140% (120% in the case of families of two persons or less) of the greater of the median family gross income for the area or the statewide median family gross income and the remaining one-third may be provided to make Loans without regard to such income limitations. The Procedural Guide contains procedures necessary to enable the Agency to comply with the income limitations.

Recapture Provision

The recapture provision requires that upon the disposition of a residence financed with proceeds of qualified mortgage bonds, the mortgagor, under certain circumstances, is required to pay to the federal government an amount equal to a portion of the subsidy provided by such financing. The Recapture Provision only applies to residences sold within nine years of the date the mortgage loan is made. Recapture of the subsidy (not in excess of 50% of the mortgagor's gain from the sale of the residence) phases in from the time of the purchase until four years after the purchase when full recapture occurs. Recapture phases out in years five through nine. Recapture is reduced (but not below zero) for mortgagors whose income (when the residence is disposed of) is below certain income limits.

Qualified Rehabilitation Loans

Qualified Rehabilitation Loans are subject to the following requirements:

- there is a period of at least twenty years between the date on which the building was first used and the date on which the physical work on such rehabilitation begins;

- in the rehabilitation process 50% or more of the existing external walls of such building are retained in place as external walls, 75% or more of the existing external walls of such building are retained in place as internal or external walls, and 75% or more of the existing internal structural framework of such building is retained in place;

- the expenditures for such rehabilitation are 25% or more of the mortgagor's adjusted basis in the residence being rehabilitated (including the land on which the residence is located);

- the mortgagors adjusted basis in the residence does not exceed 90% (or if the residence is located in a targeted area, 110%) of the "average area purchase price" applicable to such residence; and

- the mortgagor is the first occupant of the residence after completion of the rehabilitation.

Home Improvement Loans

The Code requires that the mortgagor of each Home Improvement Loan certify (a) that the proceeds of the Home Improvement Loan will be used only to make alterations, repairs and

improvements on, or in connection with, a residence owned by the mortgagor and located in the State, (b) that such alterations, repairs and improvements will substantially protect or improve the basic livability or energy efficiency of the residence and do not include the provision of, or improvements to, swimming pools, tennis courts, saunas or other recreational or entertainment facilities and (c) that the proceeds of the Home Improvement Loan will not be used to acquire or replace an existing mortgage or other debt for which the mortgagor is liable, except a construction loan, bridge loan or similar temporary initial financing having a term of 24 months or less. Pursuant to the Code, the principal amount of a Home Improvement Loan may not exceed $15,000.

Other Mortgage Eligibility Requirements

Section 143 does not allow proceeds of a qualified mortgage issue to be used to acquire existing mortgages (thereby requiring the Agency to apply such proceeds only to newly-originated mortgages) or, except in certain limited circumstances including Qualified Rehabilitation Loans, to replace existing mortgages (thereby precluding refinancings of mortgages). This requirement does not prohibit the Agency from acquiring or replacing construction loans, bridge loans or other similar temporary initial financings. The requirements of the Procedural Guide are designed to meet these restrictions.

Section 143 also requires that each mortgage securing a mortgage loan purchased with the proceeds of a qualifying mortgage issue may only be assumed if the requirements relating to principal residence, three year lack of prior ownership (except as to mortgage loans made in "targeted areas" and Qualified Rehabilitation Loans and Home Improvement Loans), income limitations and acquisition cost are met with respect to the assumption. The determination as to compliance with these requirements are to be made as of the date on which the mortgage is being assumed. Accordingly, the Agency must make the required statistical study or otherwise determine (e.g., by reliance on "safe harbor" statistics published by the U.S. Treasury) the relevant average area purchase prices for each statistical area within the State on an annual basis and must assure compliance with the other applicable requirements of Section 143 as long as any Variable Rate Demand Bonds are outstanding. The Agency has so covenanted in the Resolutions and, to assure compliance with this requirement, will provide in the mortgage that no Loan may be assumed without the prior written consent of the Agency. Qualified Rehabilitation Loans may not be assumed.

Requirements Related to Arbitrage

In addition to the arbitrage requirements that apply to all tax-exempt bonds under Section 148 of the Code, including the rebate requirement described below, the effective interest rate on Mortgage Loans financed with the proceeds of the Series 22C Bonds may not exceed the yield on the Series 22C Bonds by more than one and one-eighth percentage points. Accordingly, the effective interest rate on such Mortgage Loans will be computed by the Agency in accordance with Section 143 taking into account all discount points to be paid by the seller and origination fees to be paid by the mortgagors. In addition, the Agency has reserved the right to adjust the interest rate on the Loans should circumstances indicate that such an adjustment is necessary to comply with the arbitrage requirements. The computation of such rate and yield in accordance with Section 143 results in an actual spread of less than one and one-eighth percentage points.

The rebate requirement set forth in Section 148 of the Code obligates the Agency to pay to the United States amounts earned on obligations which are not Loans ("Non-Loan Obligations") (e.g., investments held as reasonably required reserves) in excess (plus the earnings on such excess) of the amounts which would have been earned on such investments if invested at a yield equal to the yield on the Series of Bonds to which such investments are allocable computed in accordance with Section 148. The Agency has established accounting procedures to determine the amount of such excess investment earnings. Such amounts, if any, are expected to be deposited in the Rebate Accounts that are held by the Trustee but are not subject to the pledge or lien of the Resolution. The Agency has covenanted in the

Supplemental Resolution that the amount required to be rebated by Section 148 will be paid to the United States. The Agency has also covenanted in the Resolution that if the amount on deposit in the Rebate Accounts is insufficient to make such payment the Agency will apply money in the General Fund to satisfy the deficiency. The Agency has covenanted in the General Resolution to take all lawful action necessary to ensure that interest on the Variable Rate Demand Bonds will remain excludable from gross income for federal income tax purposes and will not use or permit the use of the proceeds of the Variable Rate Demand Bonds or any other funds of the Agency, directly or indirectly, in any manner which would cause the interest on the Variable Rate Demand Bonds to become includable in gross income for federal income tax purposes.

Good Faith Effort

An issue of qualified mortgage bonds that fails to meet the mortgage eligibility requirements will be treated as meeting all such requirements if:

- the issuer in good faith attempted to meet such requirements before the mortgages were executed;
- 95% of the proceeds devoted to owner-financing were devoted to residences with respect to which (at the time the mortgages were executed or assumed) all such requirements were met; and
- any failure to meet such requirements is corrected within a reasonable period after such failure is first discovered.

The good faith requirement described in (a) will be satisfied by the Agency establishing reasonable procedures, including reasonable investigations, to ensure compliance with the requirements under Section 143. The 95% requirement referred to in clause (ii) above will be considered to have been satisfied by the Agency procuring and examining affidavits from the mortgagors and sellers of residences evidencing compliance and requiring the procurement and examination by the Mortgage Lenders of income tax returns filed by the mortgagors with the Internal Revenue Service for the preceding three years (or statements in the mortgagors' affidavits that one or more of such returns were not required to have been filed). Calling the non-qualifying mortgage or replacing it with a qualifying mortgage will constitute correction of such failure under clause (iii) above.

The failure to meet the requirements of Section 143 will not adversely affect the tax treatment of interest on a bond if:

- the issuer in good faith attempted to meet all such requirements; and
- any failure to meet such requirements is due to inadvertent error after taking reasonable steps to comply with such requirements.

MISCELLANEOUS

The references herein to the Act, the Resolution, the Origination Agreements, the Purchase and Servicing Agreements and the Procedural Guide are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act, the Resolution and the Program Documents for full and complete statements of such provisions. The agreements of the Agency with the Owners of the Bonds are fully set forth in the Resolution and this Remarketing Circular is not to be construed as a contract with the purchasers of the Variable Rate Demand Bonds. So far as any statements are made in this Remarketing Circular involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the Act, the Resolution, the Origination Agreements, the Purchase and Servicing Agreements and the Procedural Guide are on file at

the office of the Agency. The address of the Agency is 164 Saint Paul Street, Burlington, Vermont 05401 and its telephone number is (802) 864-5743.

The execution and delivery of this Remarketing Circular by an Authorized Officer has been duly authorized by the Agency.

VERMONT HOUSING FINANCE AGENCY

/s/ Sarah E. Carpenter
Executive Director

APPENDIX I

CERTAIN INFORMATION RELATING TO THE AGENCY'S EXISTING SINGLE FAMILY HOUSING BOND PROGRAM

The following summarizes certain characteristics of mortgage loans purchased by the Agency with the proceeds of the Single Family Housing Bonds as of June 30, 2009, unless otherwise noted.

Portfolio of Loans Outstanding Under the Single Family Housing Bond Program

Type	Number	Principal Amount	% of Principal Amount
Private Mortgage Insurance[1] [2]			
Mortgage Guaranty Insurance Corporation	1,936	$217,591,945	53.50%
PMI Mortgage Insurance Company	296	15,029,808	3.70%
GE	5	562,921	0.14%
CUNA	6	538,558	0.13%
United Guaranty	2	305,047	0.08%
Federally Guaranteed			
Rural Development	503	48,084,628	11.82%
FHA	2	100,798	0.02%
VA	0	0	0.00%
Uninsured[3]	1,810	124,504,903	30.61%
Total	4,560	406,718,608	100.00%

[1] Recent rating agencies' reviews of private mortgage insurers may be indicative of some future inability of these insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. The Agency makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Agency on Single Family Mortgage Loans on which losses are incurred.

[2] As of June 1, 2009, the Agency has taken steps towards the pooling and sale of certain of the Mortgage Loans under the Resolution for a corresponding purchase and deposit to the Resolution of Freddie Mac Certificates. The approximate principal amount of the Mortgage Loan securitization is $35,500,000, with the settlement date for such securitization expected to occur on or before July 31, 2009. Such securitization is expected to strengthen the security of the assets pledged under the Resolution.

[3] Loan to value ratio of 75% or less (80% with respect to loans originated after May 13, 1999). See "**SINGLE FAMILY MORTGAGE PURCHASE PROGRAM—Mortgage Insurance Requirements**."

Delinquency Statistics for the Single Family Housing Bond Program

	No.	%
Total Loans Outstanding	4,560	100.00%
Loans in Default 60 Days or More	66	1.45%
Loans in Default 90 Days or More	46	1.01%
Loans in Foreclosure*	47	1.03%
Single Family Residences Owned by Agency and Held for sale	11	0.24%

* Loans in Foreclosure include 16 loans performing under Chapter 13 bankruptcy plans.

Since the adoption of the General Resolution in 1990, the Loan Loss Claims Funds securing loans in the Single Family Housing Loan Portfolio have paid a total of $6,101,003 to cover losses as of June 30, 2009.

APPENDIX II-A

AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

[THIS PAGE INTENTIONALLY LEFT BLANK]

VERMONT HOUSING FINANCE AGENCY

Financial Statements and
Required Supplementary Information

June 30, 2008

(With Independent Auditors' Report Thereon)

VERMONT HOUSING FINANCE AGENCY

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis – Required Supplementary Information (Unaudited)	2
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Financial Statements	11

KPMG LLP
P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

Independent Auditors' Report

The Honorable Thomas M. Salmon
State Auditor of the State of Vermont and
The Commissioners
Vermont Housing Finance Agency:

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Housing Finance Agency (the Agency) as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Vermont Housing Finance Agency as of June 30, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 2 to 6 is not a required part of the financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

September 29, 2008

Vt. Reg. No. 92-0000241

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.

VERMONT HOUSING FINANCE AGENCY

Management's Discussion and Analysis

June 30, 2008

(Unaudited)

This section of the Vermont Housing Finance Agency's (the Agency) annual Financial Report presents management's discussion and analysis of its financial performance and significant changes in financial position for the fiscal year ended June 30, 2008. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole.

Overview of the Agency

The Agency was created in 1974 by an Act of the General Assembly of the State of Vermont. The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is authorized to issue bonds and other obligations to fulfill its corporate purposes. Obligations of the Agency do not constitute debt of the State of Vermont and are payable solely from the revenues or assets of the Agency.

The majority of the Agency's funding has been provided from the proceeds of sales of tax-exempt and taxable bonds and notes, and advances from lending institutions. Since September 1974, the Agency has issued $2.7 billion aggregate principal amount of bonds, notes and line of credit borrowings, of which $829.0 million was outstanding as of June 30, 2008, to finance its various programs. The proceeds of the debt have been or will be used to make mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income in the State, to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in the state, and to make loans to finance certain other multi-family housing developments. The bonds are secured pursuant to the terms of the resolutions under which they were issued.

Overview of the Financial Statements

The Agency's financial statements consist of three parts – Management's Discussion and Analysis, the basic financial statements and the notes to the financial statements. The basic financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The notes to the basic financial statements are intended to provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Summary of Net Assets

The Agency's Statement of Net Assets consists primarily of single family and multi-family mortgage loans, cash and investments, and related bonds and notes payable. It also includes a portfolio of mortgage loans financed through its Operating Fund, as well as a variety of other assets such as property and equipment, other receivables, and deferred charges.

Cash and investments are used to fund loan purchases, bond debt service, and reserve funds, and are typically held in guaranteed investment contracts or other investment vehicles, as authorized in accordance with the Agency's investment policy.

(Continued)

The following table summarizes the net assets of the Agency as of June 30, 2008 with comparative data from the prior fiscal year:

	2008	2007	Percentage change 2008-2007
Assets			
Cash and investments	$ 200,568,394	195,605,193	2.5%
Loans receivable, net	705,340,994	623,559,508	13.1
Other assets	20,176,584	19,468,097	3.6
Total assets	926,085,972	838,632,798	10.4
Liabilities			
Bonds and notes payable	828,973,611	744,782,327	11.3
Other liabilities	12,854,819	11,770,746	9.2
Total liabilities	841,828,430	756,553,073	11.3
Net Assets			
Invested in capital assets	1,593,923	1,625,755	(2.0)
Restricted:			
Bond and other requirements	66,371,231	65,006,102	2.1
Excess yield loans	8,539,071	7,970,043	7.1
Unrestricted	7,753,317	7,477,825	3.7
Total net assets	$ 84,257,542	82,079,725	2.7%

Total assets increased by $87.5 million or 10.4% for the year ended June 30, 2008 when compared to the year ended June 30, 2007, primarily as a result of:

- Cash and investments increased by $4.96 million, or 2.5%. This represents bond proceeds held in acquisition funds at year end awaiting the purchase of mortgages, and the increase in fair value of investments.
- Total Mortgage and Construction Loans Receivable increased by $81.8 million, or 13.1%. Loan originations decreased by $13.9 million, or 8.0% over the prior fiscal year. In fiscal year 2008 principal collections decreased by $1.8 million, or 2.3% from the prior year.
- Included in restricted net assets is approximately $8.5 million of Multi-Family mortgages (net of $1.5 million of loan loss reserves) which were funded by excess interest income received (excess yield) from mortgages related to the Agency's 1995 and 1999 Multi-Family bond issues. The excess yield represents mortgage interest earned in excess of that permitted by federal tax laws. In July of 2007, the loans related to the Agency's 1995 issuance were refunded as part of the new bond issuance for the 2007 Series A and Series B. To be in compliance with the aforementioned tax laws, the Agency estimates that it

(Continued)

may eventually forgive a portion of these loans, prior to the final maturity of bonds in these series. The Agency believes its reserves are adequate to cover any risk and will continue to analyze and adjust its reserves in accordance with the level of risk.

The following table summarizes the change in mortgage loans receivable for the year ended June 30, 2008, with comparative data from the prior fiscal year:

	2008	2007	Percentage change 2008-2007
Beginning balance	$ 623,559,508	529,001,950	17.9%
Mortgage loan originations	159,721,796	173,649,434	(8.0)
Principal collections	(76,527,169)	(78,305,453)	(2.3)
Loans transferred to REO status	(940,445)	(804,337)	16.9
Loan loss provision	(472,696)	17,914	(2,738.7)
Ending balance	$ 705,340,994	623,559,508	13.1%

The following table summarizes the changes in bonds, notes payable, and lines of credit borrowings for the fiscal year are as follows (in thousands):

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008
Bonds payable	$ 663,233	135,295	(69,659)	728,869
Notes payable	56,567	70,095	(50,154)	76,508
Lines of credit borrowings	24,982	28,039	(29,425)	23,596
Total debt	$ 744,782	233,429	(149,238)	828,973

Total liabilities of the Agency increased by $85.3 million, or 11.3% for the year ended June 30, 2008 when compared to the year ended June 30, 2007, primarily as a net result of:

- Three new bond issues of Multiple Purpose Bonds and Notes were issued totaling $132.7 million in bonds and $70.1 million in notes. These proceeds were used to finance single family mortgage purchases and to refund $4.3 million in Single Family Housing Program Series 8 bonds, and $16.3 million in Multi-Family Housing Program, 1995 Series A and 1997 Series A bonds.
- Total principal payments on bonds were $69.7 million including $39.7 million of Single Family Housing Bonds that were redeemed prior to maturity as a result of mortgage loan prepayments received.
- Thirty Multi-Family loan program construction projects were funded with $28.0 million of notes payable from lending institutions.

- $2.6 million of direct placement bonds were issued to provide permanent financing for five Multi-Family projects.
- With the exception of direct placement bonds, all bond issues are rated by Moody's Investors Service and either Standard and Poor's or Fitch Ratings, with a minimum stand alone rating of A. Many Agency bond issues carry bond insurance, which upgrades the bond rating to AAA.

Summary of Revenues, Expenses and Changes in Net Assets

The Agency's operating revenues consist primarily of interest income on mortgage and construction loans, investment income, and miscellaneous fee income. Operating expenses consist of bond interest expense and other debt financing costs, operational expenses, and mortgage servicing fees.

The following summarizes the changes for the year ended June 30, 2008 with comparative data from the prior fiscal year:

	2008	2007	Percentage change 2008-2007
Operating revenues:			
Interest on loans	$ 41,677,841	36,078,654	15.5%
Interest on investments	9,717,929	10,436,069	(6.9)
Fee income	755,469	853,495	(11.5)
Gain on bond redemptions	187,468	132,514	41.5
Other revenue	75,684	64,378	17.6
Total operating revenues	52,414,391	47,565,110	10.2
Operating expenses:			
Financing costs	43,355,316	37,979,645	14.2
Operational expenses	4,900,927	4,310,066	13.7
Mortgage servicing	1,394,369	1,155,529	20.7
Loan losses	512,180	921,371	(44.4)
Total operating expenses	50,162,792	44,366,611	13.1
Operating income	2,251,599	3,198,499	(29.6)
Nonoperating revenues:			
Net appreciation (depreciation) in fair value of investments	(73,782)	298,637	(124.7)
Increase in net assets	2,177,817	3,497,136	(37.7)
Net assets at beginning of year	82,079,725	78,582,589	4.5
Net assets at end of year	$ 84,257,542	82,079,725	2.7%

(Continued)

For the year ended June 30, 2008, net assets increased $2,177,817, compared to an increase of $3,497,136 for the prior year. The $1.3 million change in net assets when comparing 2008 to 2007, was primarily the result of the following:

- A decrease of $718,000 (6.9%), in interest income on investments as a result of declining investment rates and an increase in operational expenses of $591,000 (13.7%), due to increased personnel costs, and legal and professional fees associated with establishing a new bond indenture, hiring a new trustee, and issues related to the volatile credit environment.
- The Agency increased loan loss reserves by $473,000 in fiscal year 2008 compared with no change in fiscal year 2007. The provision for loan loss reserves has been reviewed by management and the Audit/Risk Committee of the Agency's Board of Commissioners and deemed to be adequate.
- The gain on bond redemptions increased net assets by $187,000 in fiscal year 2008 compared to a gain on bond redemptions of $132,000 in the prior year.
- Net depreciation in the fair value of investments accounted for a decrease in net assets of $74,000 in fiscal year 2008, compared to net appreciation of $299,000 in the prior year.

The Agency budgets its day-to-day operating costs and related income (net of deferred loan origination costs and fees) in its Operating Fund. The operating budget is prepared by staff and reviewed and approved prior to the start of each fiscal year by the Agency's Board of Commissioners.

For fiscal year 2008, the Agency projected an Operating Fund budget surplus of $6,100 and achieved an actual budget surplus of $382,800 as a result of positive income and expense variances of $167,500 and $149,100, respectively, and fund transfers $60,100 greater than budgeted.

The addition of net deferred loan origination costs and fees of $139,100 in fiscal year 2008 to the budget surplus of $382,800 results in an increase in Operating Fund net assets for fiscal year 2008 of $243,700 compared with the prior period of $167,800.

Contacting the Agency's Financial Management

This financial report is designed to provide a general overview of the Agency's operations and insight into the financial statements. If you have questions about this report or need additional financial information, please contact the Chief Financial Officer at Vermont Housing Finance Agency, 164 St. Paul Street, Burlington, VT 05401 or visit our website at www.vhfa.org.

VERMONT HOUSING FINANCE AGENCY

Statement of Net Assets

June 30, 2008

Assets	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Bonds	Multi-Family Mortgage Program Fund	Total
Cash and cash equivalents	$ 10,071,957	—	—	—	10,071,957
Investments	100,000	—	—	—	100,000
Accrued interest receivable:					
Mortgage and notes	1,171,731	2,036,288	409,760	354,931	3,972,710
Investments	12,460	484,048	647,910	289,450	1,433,868
Current portion of mortgage loans receivable	271,089	9,141,818	2,753,625	2,683,846	14,850,378
Current costs of bond issuance expense	—	102,976	32,314	48,137	183,427
Current portion of deferred mortgage originating fees, net	—	445,108	28,399	—	473,507
Current receivables and prepaid expenses	226,822	1,364,994	231,051	96,926	1,919,793
Interfund receivables (payables)	(2,962,307)	4,504,405	(1,292,645)	(249,453)	—
Total current assets	8,891,752	18,079,637	2,810,414	3,223,837	33,005,640
Noncurrent assets:					
Restricted cash and cash equivalents	—	40,027,800	59,047,966	25,182,898	124,258,664
Restricted investments	—	28,292,479	32,802,548	5,042,746	66,137,773
Noncurrent portion of mortgage loans receivable, net	12,647,163	445,169,135	123,501,187	109,173,131	690,490,616
Deferred costs of bond issuance, net	—	2,677,071	667,924	933,532	4,278,527
Deferred mortgage origination fees, net	—	1,195,526	172,904	—	1,368,430
Noncurrent receivables and prepaid expenses	—	3,211,005	1,201,000	—	4,412,005
Land	775,000	—	—	—	775,000
Building (less accumulated depreciation of $337,780)	663,054	—	—	—	663,054
Office furniture and fixtures (less accumulated depreciation of $1,410,719)	155,869	—	—	—	155,869
Other assets and real estate owned	—	540,394	—	—	540,394
Total noncurrent assets	14,241,086	521,113,410	217,393,529	140,332,307	893,080,332
Total assets	$ 23,132,838	539,193,047	220,203,943	143,556,144	926,085,972
Liabilities and Fund Balances					
Liabilities:					
Current liabilities:					
Current notes payable and lines of credit	$ 3,368,359	—	70,095,000	19,669,380	93,132,739
Current bonds payable	9,526	11,365,000	1,965,000	3,539,157	16,878,683
Current unamortized bond and note premium (discount), net	—	(19,099)	(36,383)	(65,261)	(120,743)
Current deferred loan origination fees	353,148	—	—	—	353,148
Accounts payable	626,811	1,038,139	216,694	100,832	1,982,476
Escrowed cash deposits	2,405,948	—	—	—	2,405,948
Arbitrage rebate payable	—	150,155	—	—	150,155
Accrued interest payable	57,383	3,916,552	1,421,463	1,893,960	7,289,358
Total current liabilities	6,821,175	16,450,747	73,661,774	25,138,068	122,071,764
Noncurrent liabilities:					
Noncurrent notes payable	6,239,685	—	—	732,198	6,971,883
Noncurrent bonds payable	544,653	476,975,000	130,135,000	104,335,653	711,990,306
Unamortized bond and note premium (discount), net	—	(357,568)	214,709	(898,487)	(1,041,346)
Arbitrage rebate payable	—	1,655,738	—	—	1,655,738
Noncurrent deferred mortgage loan origination fees	180,085	—	—	—	180,085
Total noncurrent liabilities	6,964,423	478,273,170	130,349,709	104,169,364	719,756,666
Total liabilities	13,785,598	494,723,917	204,011,483	129,307,432	841,828,430
Net assets:					
Invested in capital assets	1,593,923	—	—	—	1,593,923
Restricted	—	44,469,130	16,192,460	14,248,712	74,910,302
Unrestricted	7,753,317	—	—	—	7,753,317
Total net assets	9,347,240	44,469,130	16,192,460	14,248,712	84,257,542
Total liabilities and net assets	$ 23,132,838	539,193,047	220,203,943	143,556,144	926,085,972

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Statement of Revenues, Expenses and Changes in Net Assets

Year ended June 30, 2008

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Bond Fund	Multi-Family Mortgage Program Fund	Total
Operating revenues:					
Interest income:					
Mortgage and construction loans	$ 817,450	27,959,694	4,987,433	7,913,264	41,677,841
Investments	166,554	4,587,865	3,544,713	1,418,797	9,717,929
Fee income:					
Multi-Family Mortgage Programs	633,996	—	90,037	10,630	734,663
Single Family Mortgage Programs	16,726	781	3,299	—	20,806
Gain on bond redemptions	—	187,468	—	—	187,468
Miscellaneous income	75,684	—	—	—	75,684
Total operating revenues	1,710,410	32,735,808	8,625,482	9,342,691	52,414,391
Operating expenses:					
Financing costs, including interest and amortization of premium, discount and costs of issuance, net	674,876	27,718,745	7,184,205	7,777,490	43,355,316
Mortgage service and contract administration fees	—	1,192,273	146,320	55,776	1,394,369
Salaries and benefits	3,301,633	—	—	—	3,301,633
Operating expenses	1,205,692	—	—	—	1,205,692
Professional fees	172,677	—	—	—	172,677
Trustee and assignee fees	220,925	—	—	—	220,925
Property disposition and loan loss recoveries	56,093	151,726	14,361	290,000	512,180
Total operating expenses	5,631,896	29,062,744	7,344,886	8,123,266	50,162,792
Operating income (loss)	(3,921,486)	3,673,064	1,280,596	1,219,425	2,251,599
Nonoperating revenues:					
Net appreciation (depreciation) in fair value of investments	—	(92,930)	—	19,148	(73,782)
Income (loss) before transfers	(3,921,486)	3,580,134	1,280,596	1,238,573	2,177,817
Net transfers to (from) operating fund	4,165,146	(2,811,019)	14,911,864	(16,265,991)	—
Increase (decrease) in net assets	243,660	769,115	16,192,460	(15,027,418)	2,177,817
Net assets at beginning of year	9,103,580	43,700,015	—	29,276,130	82,079,725
Net assets at end of year	$ 9,347,240	44,469,130	16,192,460	14,248,712	84,257,542

See accompanying notes to financial statements.

VERMONT HOUSING FINANCE AGENCY

Statement of Cash Flows

Year ended June 30, 2008

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	Total
Cash flows from operating activities:					
Interest collections on mortgages	$ 812,118	27,862,694	4,376,369	8,166,724	41,217,905
Principal collections on mortgages	1,994,051	39,941,982	4,377,389	30,213,747	76,527,169
Purchases of mortgages	(2,612,755)	(24,194,934)	(102,286,464)	(30,627,643)	(159,721,796)
Transfers of mortgages	—	4,297,881	(28,360,098)	24,062,217	—
Fee income and other receipts	721,269	781	93,337	—	815,387
Salaries and benefits payments	(3,224,530)	—	—	—	(3,224,530)
Operating expense payments	(1,311,921)	—	—	32,539	(1,279,382)
Proceeds for foreclosed property loss	—	(129,070)	—	—	(129,070)
Payment on prepaid origination fees	—	(35,264)	(1,598,749)	—	(1,634,013)
Service fee and other payments	—	(1,207,662)	(148,905)	(55,776)	(1,412,343)
Net cash provided by (used for) operating activities	(3,621,768)	46,536,408	(123,547,121)	31,791,808	(48,840,673)
Cash flows from investing activities:					
Purchases of investments	—	20,250,000	(32,802,548)	—	(12,552,548)
Proceeds from sales and maturities investments	—	—	—	2,749,435	2,749,435
Interest received on investments	172,169	6,305,847	2,896,803	1,662,541	11,037,360
Increase in escrowed cash deposits	(173,120)	(229)	—	—	(173,349)
Cost of real estate owned	—	(194,713)	(1,234)	—	(195,947)
Proceeds from sales of real estate owned	—	746,007	—	—	746,007
Net cash provided by (used for) investing activities	(951)	27,106,912	(29,906,979)	4,411,976	1,610,958
Cash flows from noncapital financing activities:					
Net proceeds from issuance of bonds payable	—	—	132,811,993	2,601,925	135,413,918
Principal payments on bonds	(8,903)	(49,220,000)	(580,000)	(19,410,986)	(69,219,889)
Interest payments on bonds, notes payable and lines of credit	(677,081)	(27,056,277)	(5,350,783)	(8,063,676)	(41,147,817)
Proceeds from issuance of notes payable and lines of credit	—	—	70,095,000	28,039,451	98,134,451
Repayment of notes payable and lines of credit	(153,611)	(50,000,000)	—	(29,425,073)	(79,578,684)
Payments to bond insurers	—	(413,224)	(152,518)	(18,267)	(584,009)
(Payments for) proceeds from cost of issuance	138,783	(201,353)	(526,135)	132,971	(455,734)
Transfers from (to) other funds	8,099,246	(4,360,448)	16,204,509	(19,943,307)	—
Net cash provided by (used for) noncapital financing activities	7,398,434	(131,251,302)	212,502,066	(46,086,962)	42,562,236
Cash flows from capital related financing activities:					
Purchase of office furniture and fixtures	(98,650)	—	—	—	(98,650)
Net cash used for capital related financing activities	(98,650)	—	—	—	(98,650)
Net increase (decrease) in cash and cash equivalents	3,677,065	(57,607,982)	59,047,966	(9,883,178)	(4,766,129)
Cash and cash equivalents at beginning of year	6,394,892	97,635,782	—	35,066,076	139,096,750
Cash and cash equivalents at end of year	$ 10,071,957	40,027,800	59,047,966	25,182,898	134,330,621

See accompanying notes to financial statements.

(Continued)

VERMONT HOUSING FINANCE AGENCY

Statement of Cash Flows

Year ended June 30, 2008

	Operating Fund	Single Family Mortgage Program Fund	Multiple Purpose Program Fund	Multi-Family Mortgage Program Fund	Total
Reconciliation of cash flows from operating activities:					
Operating income (loss)	$ (3,921,486)	3,673,064	1,280,596	1,219,425	2,251,599
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation	130,482	—	—	—	130,482
Amortization of discounts on bonds and notes payable, net	—	33,434	46,333	72,864	152,631
Amortization of costs of bond issuance and other fees	—	106,784	42,591	49,836	199,211
Amortization of deferred fees	—	1,086,099	—	—	1,086,099
Gain on bond redemptions	—	(187,468)	—	—	(187,468)
Investment interest income	(166,554)	(4,587,864)	(3,544,713)	(1,418,796)	(9,717,927)
Bond and note interest expense	674,877	26,045,698	6,772,246	7,638,767	41,131,588
Bond insurance expense	—	441,167	122,870	16,024	580,061
Prepaid cost of issuance	(138,783)	—	—	—	(138,783)
Changes in assets and liabilities:					
Decrease (increase) in mortgage loans receivable	(585,046)	21,120,051	(126,254,812)	23,938,321	(81,781,486)
Increase in other assets	—	(981,993)	—	—	(981,993)
Increase (decrease) in accrued interest receivable	11,498	(97,000)	(409,761)	61,233	(434,030)
Increase (decrease) in other receivables and prepaid expenses	150,008	(267,574)	(1,401,168)	214,134	(1,304,600)
Increase (decrease) in deferred mortgage origination fees, net	75,362	175,564	(201,303)	—	49,623
Increase (decrease) in accounts payable	147,874	(23,554)	—		124,320
Net cash provided by (used for) operating activities	$ (3,621,768)	46,536,408	(123,547,121)	31,791,808	(48,840,673)

Supplemental noncash operating/investing activities:

Mortgage loans receivable converted to real estate owned amounted to $906,786 for the Single Family Mortgage Program Fund and $33,659 for the Operating Fund in fiscal year 2008.

Supplemental noncash financing activities:

The fair value of investments increased $92,930 for the Single Family Mortgage Program Fund and decreased $19,148 for the Multi-Family Mortgage Program Fund in fiscal year 2008.

See accompanying notes to financial statements.

(1) Authorizing Legislation and Nature of Funds

(a) Authorizing Legislation

Vermont Housing Finance Agency (the Agency) was created as a body politic and corporate of the State of Vermont by an Act of the General Assembly approved on April 11, 1974 (the Act). The purpose of the Agency is to promote the expansion of the supply of funds available for mortgages on residential housing and to encourage an adequate supply of safe and decent housing at reasonable costs. The Agency is not a component unit of the State of Vermont, but is classified as a related organization of the State of Vermont. The State of Vermont appoints a majority of the Agency's board of commissioners but the State of Vermont is not financially accountable for the Agency.

The Agency is empowered by the Act and subsequent amendments to issue bonds and notes. Instruments so issued do not constitute a debt or obligation of the State of Vermont and are payable solely from revenues or assets of the Agency.

The State of Vermont has pledged and agreed with the holders of bonds and notes of the Agency not to impair in any way the rights and remedies of such holders.

(b) Basis of Presentation and Nature of Funds

The financial statements are presented on a program basis, combining the various restricted accounts required by each bond resolution into groups that account for the various bonds issued, related costs of issuance and debt service activity and the investment and related earnings of the bond proceeds in mortgages or loans and temporary investments and the maintenance of certain reserve fund requirements – all under the specific requirements of each resolution.

These accounts are in turn grouped by major fund as described below for the Single Family Mortgage Program fund, the Multiple Purpose Program Fund, the Multi-family Mortgage Program fund, and the unrestricted Operating fund of the Agency.

(i) Operating Fund

This fund derives its revenue principally from fees, mortgage interest and investment income. Operating expenses of the Agency are paid from this fund.

Transfers from program funds to the Operating Fund represent amounts allowed to be transferred pursuant to the terms of the Agency's bond resolutions.

(ii) Single Family Mortgage Program Fund

This fund has been established under the Single Family Insured Mortgage Bond Resolution adopted in September 1976, the Single Family Mortgage Purchase Bond Resolution adopted in June 1978, the Home Mortgage Purchase Bond Resolution adopted in July 1983 and the Single Family Housing Bond Resolution adopted in September 1990. Monies from these programs have been used by the Agency to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in Vermont.

(iii) Multiple Purpose Program Fund

This fund has been established under the Multiple Purpose Bond Indenture adopted in July 2007. Monies from these programs have been used by the Agency to finance mortgage loans on single family residential housing units and multi-family residential housing units for persons and families of low and moderate income within the state of Vermont.

(iv) Multi-Family Mortgage Program Fund

This fund has been established under the Multi-Family Mortgage Bond Resolution adopted in February 1977, the Multi-Family Housing Bond Resolution adopted in September 1981, and various individualized taxable and tax exempt bond resolutions adopted between December 1985 and May 2007. Monies from these programs are used by the Agency to make and finance mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income within the State of Vermont.

(v) Reserve Requirements

Under various bond resolutions of the Agency, certain amounts from bond proceeds are required to be set aside and maintained for potential debt service requirements in trusteed accounts. As of June 30, 2008, reserve requirements totaled $7,940,741 for the Single Family Mortgage Programs, $18,551,343 for the Multi-Family Mortgage Programs and $4,552,548 for the Multiple Purpose Programs. Amounts held in reserve accounts as of June 30, 2008 exceeded the required balances in all cases.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Agency's financial statements have been prepared on the accrual basis of accounting using the economic resource management focus. Accordingly, the Agency recognizes revenue in the period earned and expenses in the period incurred.

As permitted under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Agency has elected not to apply Statements of Financial Accounting Standards issued after November 30, 1989.

(b) Net Assets

In accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments,* the Agency's net assets have been classified for external financial reporting purposes into the following three net asset categories:

- *Invested in Capital Assets*: Capital assets, net of accumulated depreciation, and cost of construction or improvement of those assets.
- *Restricted:* Net assets subject to externally imposed stipulations, including those for excess yield loans.

- *Unrestricted*: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Commissioners or may otherwise be limited by contractual agreements with outside parties.

(c) Cash Equivalents

The Agency considers all highly liquid investments, including investment agreements with insurance companies, with original maturities of three months or less to be cash equivalents for purposes of the statement of cash flows. Cash equivalents also includes mortgage payments which are in transit to the trustee to be invested in collateralized repurchase agreements.

(d) Mortgage Loans Receivable

Mortgage loans receivable are carried at their uncollected principal balances less an allowance for loan losses on mortgages. The loan loss allowances are established based on historical loss experience. Future additions to the allowance may be necessary based on changes in economic conditions. At June 30, 2008, the allowance for loan losses totaled $247,301 relating to Single Family mortgage loans, $1,514,361 for Multiple Purpose mortgage loans, $290,000 for Multi-Family mortgage loans and $2,669,756 for operating fund mortgage loans.

Included in Multi-Family mortgage loans receivable is approximately $10 million of mortgages funded by excess yield. The Agency estimates that it may be required to forgive or restructure up to this amount of these loans prior to the final maturity of the related 1995 and 1999 bond issues, in order to be in compliance with federal tax laws. Subsequent to year end, the loans related to the 1995 issuance were refunded as part of the new bond issuance for 2008 Series A and B bonds.

(e) Investments

Investments are comprised of short-term investments other than cash equivalents that mature in one year or less, and long-term investments with maturities in excess of one year. The Agency follows the provisions of GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* GASB No. 31 requires investments to be reported at fair value in the statement of net assets. The net decrease in the fair value of investments, including both realized and unrealized gains and losses, is recognized in the statement of revenues, expenses, and changes in net assets. Fair values of guaranteed investment contracts (GICs) are recorded at contract value. Fair values of all other investments are based upon quoted market prices.

(f) Depreciation

The Agency records purchases of its capital assets at cost and depreciates that cost over the estimated useful lives of the assets, which are forty years for the building and three to five years for furniture and fixtures, using the straight-line method.

(g) Amortization

Costs of bond issuance, which represents underwriters' fees and legal costs are deferred and amortized over the lives of the respective issues using the straight-line method. Bond discounts and premiums are amortized using the effective interest method over the life of the bonds.

The difference between the reacquisition price and net carrying amount of defeased bonds is deducted from, or added to the refunding debt liability and amortized on the straight-line method over the shorter of the maturity of the new debt or the defeased debt.

(h) Income Tax Status

The Agency is generally exempt from federal and Vermont income taxes under Section 115 of the Internal Revenue Code and applicable state laws.

(i) Deferred Loan Origination Fees and Costs

In accordance with SFAS No. 91, *Accounting for Nonrefundable Fees and Cost Associated with Origination or Acquiring Loans and Initial Direct Costs of Leases,* loan origination fees and certain related costs are deferred and amortized over the estimated lives of the respective loans.

(j) Arbitrage to be Rebated

Bonds issued by the Agency are subject to a variety of Internal Revenue Service (IRS) regulations which limit the amount of income which may be earned with nonmortgage investments to an amount not greater than that amount which would have been earned had the funds been invested at the yield on the bonds as defined by the IRS. Excess earnings must be rebated every five years.

(k) Operating and Nonoperating Revenues and Expenses

The Agency records all revenues and expenses related to its Single Family and Multi-Family loan programs as operating revenues and expenses since they are generated from the Agency's daily operations needed to carry out its statutory purposes. Investment income is recorded as operating revenue in all funds. Net appreciation and depreciation in the fair value of investments is recorded as nonoperating revenues and expenses. Gains and losses on bond redemption are recorded in operating revenues or expenses because they are a part of the normal operations of the Agency's activities.

(l) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires estimates and assumptions that affect the reported amount of the assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to estimates and assumptions include the provision for loan losses and the valuation of investments.

(3) Cash, Cash Equivalents and Investments

For mortgage program investments, bond resolution requirements mandate specific classes of investment vehicles. Qualified investments are: direct obligations of the United States of America; obligations unconditionally guaranteed by the United States of America; indebtedness issued by certain federal agencies; bank time deposits evidenced by certificates of deposits insured by the Federal Depository Insurance Corporation (FDIC) and, if in excess of insured limits, collateralized in full by the aforementioned federal government investments; obligations of the State of Vermont, and/or federal or state insured mortgages; collateralized repurchase agreements secured by obligations of the federal government;

GICs with the collateral held by or at the direction of the appropriate trustee; and, investment agreements with banks or bank holding companies rated in the top categories by nationally recognized rating agencies.

The Agency has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. All investment agreements with banks or bank holding companies, insurance companies or other financial institutions must be rated at least "A" by nationally recognized credit rating agencies. All bonds are issued by U.S. Treasury or U.S. Government agencies such as FNMA, FHLMC and FHLB, and have implied credit ratings of AAA.

(a) Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. The deposits (including certificates of deposit) at June 30, 2008, were $4.3 million. Of these, $2.4 million were exposed to custodial credit risk as uninsured and uncollateralized.

(b) Investments

The Agency's investments at June 30, 2008 are presented below.

Investments by Type

June 30, 2008

(Expressed in thousands)

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Certificate of deposit	$ 100	100	—	—	—
Guaranteed investment contracts	53,159	28,250	—	—	24,909
U.S. Treasury securities	9,507	—	—	9,507	—
Government agency securities	2,414	553	—	584	1,277
Common stock	1,057	—	—	—	1,057
	$ 66,237				

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Agency's investment in a single issuer. More than 5% of the Agency's investments are invested in guaranteed investment contracts; Wells Fargo, Calyon, Transamerica, AIG, Bayern LB, and Depfa. These investments are 29.5%, 19.9%, 13.1%, 12.5%, 9.7% and 6.5%, respectively, of the Agency's total investments. The Agency does not have a formal investment policy that limits the amount invested in a single issue.

(d) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(4) Mortgage and Construction Loans Receivable

(a) Single Family Mortgage Loans Receivable

Single Family mortgage loans earn interest at annual rates ranging predominantly from 4.5% to 12%. Mortgage payments are received monthly by the Agency from which a service fee is generally retained by servicing lenders or the subservicer.

At June 30, 2008, approximately 72% of the Single Family mortgage portfolios consist of primary insured mortgages.

Mortgage loans, not requiring primary insurance, are limited to 80% of the appraised value of the property.

(b) Multi-Family Mortgage Loans and Construction Loans Receivable

Multi-Family mortgage loans receivable earn interest at annual rates ranging predominantly from 4.5% to 14%, and are collateralized by first mortgage liens on all real and personal property of the mortgaged premises.

(5) Capital Assets

Capital asset activity for the year ended June 30, 2008 is as follows:

	Beginning balance	Additions	Deletions	Ending balance
Capital assets not being depreciated				
Land	$ 775,000	—	—	775,000
Total capital assets not being depreciated	775,000	—	—	775,000
Capital assets being depreciated				
Building	1,000,834	—	—	1,000,834
Building improvements	649,853	—	—	649,853
Computer equipment	631,200	88,217	—	719,417
Furniture and fixtures	186,885	10,433	—	197,318
Total capital assets being depreciated	2,468,772	98,650	—	2,567,422
Less accumulated depreciation for:				
Building	(312,760)	(25,020)	—	(337,780)
Building improvements	(594,480)	(32,869)	—	(627,349)
Computer equipment	(548,598)	(59,651)	—	(608,249)
Furniture and fixtures	(162,179)	(12,942)	—	(175,121)
Total accumulated depreciation	(1,618,017)	(130,482)	—	(1,748,499)
Total capital assets being depreciated, net	850,755	(31,832)	—	818,923
Capital assets, net	$ 1,625,755	(31,832)	—	1,593,923

Current period depreciation expenses totaled $130,482 was charged to the operating fund.

(6) Real Estate Owned

Real estate owned at June 30, 2008 consists of properties held pending sale as a result of foreclosure by the Agency. Real estate owned is carried at the lower of cost or fair value less estimated costs to sell. A valuation allowance has been established to account for the reduction in value of properties held. At June 30, 2008, the valuation allowance totaled $66,389.

(7) Escrowed Cash Deposits

Escrowed cash deposits are received primarily from multi-family housing developers at the time the Agency makes permanent mortgage loans. Escrowed deposits are governed by agreements, and released upon satisfactory compliance with their terms.

(Continued)

(8) Bonds Payable

All bonds payable are general or special obligations of the Agency and are collateralized by the operating revenues, loans, funds and investments pledged pursuant to the respective bond resolutions. Interest is payable semi-annually. All bonds are subject to redemption after various dates at prices ranging from 100% to 103% of par value.

Outstanding bonds payable at June 30, 2008 are as follows:

A. Single Family Mortgage Program Fund:	
Home Mortgage Purchase Program:	
1989 Series B, maturing 2008 to 2009, interest at 7.450%	$ 1,105,000
Housing Program:	
Series 9, maturing 2008 to 2037, interest at 4.550% to 5.400%	13,660,000
Series 10, maturing 2008 to 2030, interest at 4.350% to 5.250%	8,470,000
Series 11, maturing 2008 to 2030, interest at 5.050% to 5.950%	3,485,000
Series 12, maturing 2008 to 2031, interest at 5.500% to 6.400%	3,235,000
Series 13, maturing 2008 to 2031, interest at 5.000% to 5.970%	7,935,000
Series 14, maturing 2009 to 2032, interest at 4.550% to 6.050%	10,225,000
Series 15, maturing 2008 to 2032, interest at 4.200% to 5.375%	14,020,000
Series 16, maturing 2009 to 2033, interest at 4.600% to 5.600%	30,145,000
Series 17, maturing 2008 to 2034, interest at 3.182% to 5.100%	20,860,000
Series 18, maturing 2009 to 2034, interest at 3.050% to 4.950%	21,290,000
Series 19, maturing 2008 to 2035, interest at 2.450% to 5.000%	23,855,000
Series 20, maturing 2008 to 2035, interest at 3.550% to 5.500%	24,990,000
Series 21, maturing 2008 to 2035, interest at 2.250% to 5.000%	36,550,000
Series 22, maturing 2008 to 2035, interest at 3.350% to 5.000%	35,885,000
Series 23, maturing 2008 to 2035, interest at 3.400% to 5.000%	51,535,000
Series 24, maturing 2008 to 2036, interest at 3.625% to 5.000%	39,140,000
Series 25, maturing 2008 to 2037, interest at 3.875% to 6.000%	49,110,000
Series 26, maturing 2008 to 2038, interest at 3.600% to 5.750%	50,930,000
Series 27, maturing 2008 to 2038, interest at 3.700% to 5.500%	41,915,000
Total Housing Program	487,235,000
Total Single Family Mortgage Program Fund	488,340,000
B. Multiple Purpose Bond Program Fund:	
Multiple Purpose Bonds:	
2007 Series A and B, maturing 2008 to 2038, interest at 4.000% to 5.750%	66,045,000
2007 Series C, maturing 2008 to 2038, interest at 3.850% to 5.750%	66,055,000
Total Multiple Purpose Bonds	132,100,000

(Continued)

C. Multi-Family Mortgage Program Fund:		
Mortgage Program:		
1999 Series A, maturing 2009 to 2020, interest at 4.550% to 5.125%		3,465,000
1999 Series B, maturing 2009 to 2030, interest at 5.300% to 6.000%		3,610,000
1999 Series C and D, maturing 2009 to 2021, interest at 5.050% to 5.800%		23,035,000
2000 Series A, maturing 2009 to 2039, interest at 5.900%		4,970,000
2000 Series B, C, and D, maturing 2008 to 2031, interest at 5.050% to 6.700%		2,385,000
2001 Series A, B, C, and D, maturing 2008 to 2032, interest at 5.400% to 7.270%		5,005,000
2002 Series A and B, maturing 2008 to 2039, interest at 4.350% to 7.200%		11,505,000
2003 Series A and B, maturing 2008 to 2039, interest at 4.350% to 7.200%		4,165,000
2003 Series C, maturing 2009 to 2034, interest at 3.200% to 5.100%		10,340,000
2004 Series A, B, and C, maturing 2008 to 2046, interest at 3.150% to 6.300%		14,110,000
2004 Series D, maturing 2008 to 2039, interest at 4.650% to 4.900%		2,720,000
2005 Series A, B, C, and D, maturing 2008 to 2035, interest at 4.400% to 5.750%		4,300,000
Total Mortgage Program		89,610,000
Direct Placement Program:		
Northgate Housing Program:		
Eleven series of bonds, issued December 1989, maturing 2008 to 2031, interest at 7.085% to 9.230%	$	6,147,407
Highgate Housing Program:		
Two series of bonds, issued May 1991, maturing 2008 to 2031, interest at 6.450% to 7.741%		1,199,123
Pine Meadow Development Bond:		
Taxable bond, issued July 1991, maturing 2009 to 2016, interest at 6.000%		318,600
Kilbourn Mobile Home Park Bond:		
Taxable bond, issued May 1996, maturing 2008 to 2016, interest at 7.500%		196,400
T.D. Banknorth Borrowing – Chittenden Housing Corp. Bond:		
Issued June 2006, maturing 2008 to 2012, interest at 5.410%		3,648,280
Multi-Family variable rate demand bonds, Series 1:		
Maturing 2009 to 2038, interest at 4.180% to 5.490%		4,140,000
Multi-Family variable rate demand bonds, Series 2:		
Maturing 2009 to 2038, interest at 3.756% to 4.610%		2,615,000
Total Direct Placement Programs		18,264,810
Total Multi-Family Mortgage Program Fund		107,874,810
D. Operating Fund:		
Northgate Housing Site Acquisition, issued December 1989, maturing 2008 to 2031, interest at 7.000%		554,179
Total bonds payable	$	728,868,989

All calendar year 2008 maturities on bonds payable occur after June 30, 2008.

In 2008, the Agency issued the Multi Purpose Bonds, 2007 Series A and B for a total of $66.6 million and the 2007 Series C for a total of $66.0 million. The proceeds were used to finance Single Family Mortgage loans and refund $16.3 million of Multi-Family Housing Bonds, 1995 Series A and 1997 Series A and $4.3 million of Single Family Housing Bonds, Series 8. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $650,572. This difference has been deferred and is being charged to operations through the year 2038, using the

straight-line method. The bonds were refunded to reduce total debt service payments over the next thirty years by approximately $1.7 million and to obtain an economic gain of approximately $1.2 million.

Future maturities on bonds payable as of June 30, 2008 are as follows (in thousands):

	Multi-Family Mortgage Programs				Multiple Purpose Programs	
	Mortgage Program		Direct Placement Programs		Multiple Purpose bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal year ending June 30:						
2009	$ 2,915	4,882	624	1,541	1,965	6,477
2010	3,060	4,736	582	1,459	2,540	6,463
2011	3,230	4,580	567	1,380	3,140	6,347
2012	3,375	4,410	334	1,541	3,235	6,207
2013	3,500	4,230	3,830	1,427	2,930	6,062
2014-2018	17,990	18,263	2,306	5,513	14,005	28,276
2019-2023	16,545	12,905	1,892	2,545	17,695	24,448
2024-2028	11,675	9,397	1,629	1,989	22,690	19,484
2029-2033	13,985	5,843	1,506	1,332	26,130	13,419
2034-2038	10,115	2,272	4,995	970	33,710	5,933
2039-2043	2,780	387	—	—	4,060	168
2044-2047	440	51	—	—	—	—
Total	$ 89,610	71,956	18,265	19,697	132,100	123,284

	Single Family Mortgage Programs							
	Home Mortgage Purchase Program		Housing Program		Operating Fund		Agency totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal year ending June 30:								
2009	$ 725	69	10,640	22,897	10	39	16,879	35,905
2010	380	14	10,860	22,470	10	38	17,432	35,180
2011	—	—	11,300	22,011	11	37	18,248	34,355
2012	—	—	11,445	21,516	11	37	18,400	33,711
2013	—	—	11,705	21,001	12	36	21,977	32,756
2014-2018	—	—	69,465	96,228	77	165	103,843	148,445
2019-2023	—	—	86,975	77,860	108	134	123,215	117,892
2024-2028	—	—	96,795	56,000	151	90	132,940	86,960
2029-2033	—	—	109,970	30,896	164	30	151,755	51,520
2034-2038	—	—	68,080	7,094	—	—	116,900	16,269
2039-2043	—	—	—	—	—	—	6,840	555
2044-2047	—	—	—	—	—	—	440	51
Total	$ 1,105	83	487,235	377,973	554	606	728,869	593,599

A summary of bonds payable, discount on bonds, and premium on bonds and arbitrage rebate payable activity for the year ended June 30, 2008 is as follows (in thousands):

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008	Amounts due within one year	Amounts due thereafter
Bonds payable	$ 663,233	135,295	(69,659)	728,869	16,879	711,990
Discount on bonds	(6,073)	(1,019)	612	(6,480)	(282)	(6,198)
Premium on bonds	4,554	1,577	(813)	5,318	161	5,157
Arbitrage rebate payable	1,077	762	(33)	1,806	150	1,656

The Agency has entered into interest rate swap agreements with counterparties in connection with the Single Family Housing Bonds Variable Rate Demand Bonds (VRDB) and Auction Rate Certificates (ARC) in order to obtain a synthetic fixed interest rate at a cost expected to be less than that associated with variable rate debt. Under the swap agreement, the swap provider pays the Agency an amount based on the London InterBank Offered Rate (LIBOR) or the Securities Industry and Financial Markets Association (SIFMA), and the Agency pays the swap provider an amount at a fixed rate of interest.

Using rates as of June 30, 2008, debt service requirements of the variable rate bonds and net swap payments, assuming current interest rates remain constant, were as follows (in thousands):

	Variable rate		Interest rate swaps, net	Total
	Principal	Interest		
Fiscal year ending June 30:				
2009	$ 463	2,820	(2,756)	527
2010	915	2,809	(2,747)	977
2011	4,815	2,785	(2,727)	4,873
2012	1,245	2,695	(2,571)	1,369
2013	1,315	2,666	(2,547)	1,434
2014-2018	15,055	12,651	(12,162)	15,544
2019-2023	30,265	10,338	(9,992)	30,611
2024-2028	27,640	7,194	(6,980)	27,854
2029-2033	33,535	4,099	(4,060)	33,574
2034-2038	21,125	829	(877)	21,077
	$ 136,373	48,886	(47,419)	137,840

(Continued)

A summary of the swap agreements follows:

Issue		Effective date	Face amount	Termination date	Termination option date	Fixed swap payment rate	Variable receivable rate	Fair value at June 30, 2008
Series 17	VRDB	4/23/2003	$ 6,235,000	5/1/2019	–	3.182%	70% of LIBOR	$ (79,549)
Series 19	ARC	4/8/2004	7,250,000	11/1/2027	–	3.492	70% of LIBOR	(188,528)
Series 20	ARC	8/12/2004	7,350,000	5/1/2028	11/1/2014	4.166	70% of LIBOR	(377,243)
Series 21	VRDB	11/30/2004	10,700,000	5/1/2029		3.682	SIFMA + 0.10% (if LIBOR ≤ 3.00%) 68% of LIBOR (if LIBOR > 3.00%	(407,679)
Series 22	VRDB	6/8/2005	13,800,000	11/1/2034	5/1/2012	3.731	65% of LIBOR	(248,768)
Series 23	VRDB	10/26/2005	14,500,000	11/1/2034	11/1/2014	3.569	65% of LIBOR + 0.28%	(188,766)
Series 24	VRDB	4/19/2006	10,440,000	11/1/2035	5/1/2015	3.973	65% of LIBOR + 0.28%	(444,061)
Series 25	VRDB	7/12/2006	12,945,000	11/1/2036	11/1/2015	4.251	65% of LIBOR + 0.28%	(862,713)
Series 26	VRDB	10/26/2006	13,450,000	5/1/2037	5/1/2016	3.897	65% of LIBOR + 0.28%	(540,864)
MP2007 A	VRDB	7/24/2007	12,800,000	5/1/2037	5/1/2017	4.197	65% of LIBOR + 0.28%	(859,547)
MP2007 C	VRDB	9/12/2007	16,500,000	11/1/2037	5/1/2017	3.990	65% of LIBOR + 0.28%	(825,117)
TD BankNorth Chittenden Housing		6/28/2006	3,648,280	6/28/2011	–	5.410	69% of LIBOR	(152,744)
Series 1-A	VRDB	1/25/2007	645,000	1/1/2022	–	4.240	SIFMA + 0.15%	(33,820)
Series 1-B	VRDB	1/25/2007	1,760,000	1/1/2022	–	4.180	SIFMA + 0.10%	(90,805)
Series 1-C	VRDB	1/25/2007	1,735,000	1/1/2022	–	5.490	LIBOR + 0.05%	(128,938)
Series 2-A	VRDB	1/24/2008	1,320,000	1/5/2023	–	3.800	SIFMA + 0.15%	(12,324)
Series 2-B	VRDB	1/24/2008	275,000	1/5/2023	–	3.756	SIFMA + 0.10%	(2,661)
Series 2-C	VRDB	1/24/2008	1,020,000	1/5/2023	–	4.610	LIBOR + 0.05%	8,406
			$ 136,373,280					$ (5,435,721)

By using derivative financial instruments to hedge exposures to changes in interest rates, the Agency exposes itself to credit and market risk. Credit risk is the failure of the counter-party to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counter-party owes the Agency, which creates credit risk for the Agency. When the fair value of a derivative contract is negative, the Agency owes the counter-party and, therefore, it does not possess credit risk. The Agency minimizes its credit risk in derivative instruments by entering into transactions with high-quality counter-parties whose credit rating is higher than Aa. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rates is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

(9) Notes Payable

The Agency may borrow from the Federal Home Loan Bank (FHLB) in an amount not to exceed assets pledged to the FHLB. As of June 30, 2008, the Agency had outstanding borrowings totaling $5,913,044 which are secured by mortgage loans with a carrying value of $6,476,908. These borrowings have interest rates ranging from 6.32% to 7.66% and mature through November 2018.

The Agency is operating under unsecured variable rate lines of credit that total $76,250,000 with lending institutions expiring in 2009. At June 30, 2008, there was a $23,596,578 balance outstanding at 2.6875% to 6.540%. The lines of credit were entered into in order to fund working capital, and to be used for specific construction projects financed by the Agency.

The Agency has a $500,000 note payable to the Vermont Community Foundation at a rate of 4%, maturing in February 2010. The note is uncollateralized.

As of June 30, 2008, the Agency had $70,095,000 of notes payable in the Multiple Purpose Bond Program fund. These notes have interest rates ranging from 1.95% to 3.85% and mature between September 2008 and April 2009. These notes are uncollateralized. The proceeds of these notes are invested in guaranteed investment contracts, the income on which is used to make scheduled debt service payments, and to provide assisted rates for affordable housing mortgage loans.

Future maturities on notes payable and line of credit borrowings as of June 30, 2008 are as follows (in thousands):

	Operating Fund		Single Family Housing Program		Multi Family Direct Placement Program		Agency totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:								
2009	$ 3,368	522	70,095	1,031	19,669	480	93,132	2,033
2010	811	417	—	—	732	15	1,543	432
2011	200	378	—	—	—	—	200	378
2012	245	361	—	—	—	—	245	361
2013	231	345	—	—	—	—	231	345
2014-2018	3,496	1,180	—	—	—	—	3,496	1,180
2019	1,257	41	—	—	—	—	1,257	41
Total	$ 9,608	3,244	70,095	1,031	20,401	495	100,104	4,770

A summary of line of credit borrowings and notes payable activity for the year ended June 30, 2008 is as follows (in thousands):

	Balance at June 30, 2007	Increases	Decreases	Balance at June 30, 2008	Amounts due within one year	Amounts due thereafter
Line of credit borrowings	$ 24,982	28,039	(29,425)	23,596	22,864	732
Notes payable	56,567	70,095	(50,154)	76,508	70,268	6,240
	$ 81,549	98,134	(79,579)	100,104	93,132	6,972

(10) Asset Restrictions

Pursuant to the Act and agreements with bondholders and other parties, the Agency's assets are pledged to secure specific obligations or are otherwise restricted.

Programs which are financed by the issuance of bonds are accounted for separately in accordance with each of the general bond resolutions. Program assets and revenues are pledged to bondholders. Revenues in excess of required amounts are available to be transferred to the Operating Fund.

Amounts transferred to the Operating Fund from the bond resolutions are free and clear of any lien or pledge created by the bond resolutions, and may be used for any lawful purpose under the Act, including payments to various accounts within the bond resolutions. All of the outstanding bonds, except for the Single Family Housing Bonds, are general obligations of the Agency. For general obligation bonds, the Agency covenants that it will restore deficiencies to the bond programs, as defined by the bond resolutions, from the Operating Fund.

The Operating Fund is also the primary source to pay administrative expenses in connection with current and future housing programs, and to provide collateral for credit agreements.

(11) Pension Plan

Upon meeting certain eligibility requirements, the Agency's employees are eligible to participate in the Vermont Housing Finance Agency 401(k) Plan, a noncontributory defined contribution pension plan, in accordance with the provisions of the Employee Retirement Income Security Act of 1974. For the year ended June 30, 2008, the Agency had a total payroll of $2,301,019, of which $2,284,019 was covered by the pension plan. The Agency's contribution to the Plan is 10% of the covered payroll. Employees vest in benefits under the Plan at 20% per year of service and are fully vested after five years. Forfeitures of nonvested benefits by terminated employees reduce the Agency's contribution. The cost of the plan was $240,346 for the year ended June 30, 2008, and is included in salaries and benefits expense. The Agency does not provide any postemployment benefits other than the pension plan.

(12) Gain on Bond Redemptions

During the year ended June 30, 2008, the Agency redeemed $39,735,000 of its Single–Family Housing Program Bonds. Gain on bond redemptions of $187,468 was recognized which represents the unamortized balance of bond premium and discount and cost of issuance expenses associated with the bonds retired.

(Continued)

The following is a summary of the redeemed bonds (in thousands):

	Single Family Housing Program
Series 8	$ 4,890
Series 9	1,660
Series 10	890
Series 11	580
Series 12	820
Series 13	705
Series 14	1,315
Series 15	1,940
Series 16	4,500
Series 17	2,020
Series 18	2,730
Series 19	2,015
Series 20	1,250
Series 21	2,645
Series 22	2,540
Series 23	2,285
Series 24	2,275
Series 25	2,300
Series 26	2,260
Series 27	115
	$ 39,735

(13) Commitments and Contingencies

At June 30, 2008, the Agency had outstanding commitments in the amount of $9,236,182 to purchase or finance mortgage loans pursuant to its normal funding from bond proceeds. In addition, there were commitments of $20,336,500 for general loans or future program subsidy purposes.

Under the Single Family Mortgage Programs, the Agency has obtained surety bonds in the amount of $30,469,704 expiring between 2025 and 2038, which satisfy the requirements of certain bond resolutions.

(Continued)

(14) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors; and omissions; injuries to employees; employees' health; and natural disasters. The Agency manages these risks through a combination of participating in the State self-insurance program and purchasing commercial insurance packages in the name of the Agency. The Agency has not experienced settled claims resulting from these risks which have exceeded its insurance coverage. In addition, the Agency's bylaws provide for the indemnification of Agency commissioners and officers by the Agency. This indemnification requirement is supported by various statutes related to claims against employees and entities of the State and the Agency's authorizing legislation which includes the benefit of sovereign immunity.

(15) Subsequent Events

As of June 30, 2008, the Agency held $17.7 million in guaranteed investment contracts (GICs) with AIG Matched Funding Corp. The GICs are presented as restricted cash and cash equivalents and restricted investments in the statement of net assets ($15.7 million in Single Family programs, and $2.0 million in Multi-Family programs). On September 29, 2008, AIG posted collateral of 104% of the account value with a third party custodian.

On September 24, 2008, the Agency issued $50,000,000 of bonds under the Multiple Purpose Bonds indenture, 2008 Series C-1 (Fixed Rate) and Series C-2 (Variable Rate). The bond proceeds will be used to purchase single family mortgages.

APPENDIX II-B

UNAUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE NINE MONTH PERIOD ENDED MARCH 31, 2009

[THIS PAGE INTENTIONALLY LEFT BLANK]

VERMONT HOUSING FINANCE AGENCY
Statement of Net Assets
March 31, 2009
(Unaudited)

		SINGLE FAMILY					MULTI-FAMILY		
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MULTIPLE PURPOSE BONDS	MORTGAGE PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
ASSETS:									
Cash and cash equivalents	4,021,766	1,252,535	163,112	4,940,752	42,595,911	69,662,302	21,316,524	1,685,648	145,638,550
Investments	100,000	2,224	-	-	27,842,097		5,076,145	-	33,020,466
Mortgage and const loans receivable	15,121,288	205,460	37,614	959,807	424,631,703	156,521,416	72,300,130	39,230,605	709,008,023
Less: Reserve for loan losses	(2,000,000)	(20)	-	(1,497)	(245,784)	(1,514,361)	-	(290,000)	(4,051,662)
Accrued interest receivable:									
Mortgage and construction loans and notes	1,162,967	1,186	313	11,824	1,895,537	488,876	302,064	51,732	3,914,499
Investments	442	17	-	41,656	879,878	775,864	88,721	-	1,786,578
Deferred costs of bond issuance	-	-	-	17,629	2,588,581	862,741	756,996	148,751	4,374,698
Deferred mortgage origination fees, net	-	-	-	-	1,303,769	247,436	-	-	1,551,205
Land	775,000	-	-	-	-	-	-	-	775,000
Building (net of depreciation)	644,287	-	-	-	-	-	-	-	644,287
Office furniture and fixtures (net of depreciation)	217,288	-	-	-	-	-	-	-	217,288
Other receivables and prepaid expenses	387,167	2,749	-	11,706	3,745,564	1,562,940	14,061	78,527	5,802,714
Interfund receivables (payables)	1,845,266	(407,261)	3,912	656,715	(116,120)	(1,312,120)	18,204	(688,596)	-
Other assets and REO	-	-	-	-	1,167,331	110,063	303,953	-	1,581,347
TOTAL ASSETS	$ 22,275,471	1,056,890	204,951	6,638,592	506,288,467	227,405,157	100,176,798	40,216,667	904,262,993
LIABILITIES:									
Deferred loan origination fees	485,411	-	-	-	-	-	-	-	485,411
Accounts payable	474,551	37	9	2,952	2,741,208	328,246	-	52,494	3,599,497
Escrowed cash deposits	2,477,962	-	-	-	-	-	-	-	2,477,962
Line of credit borrowings	2,195,000	-	-	-	-	-	-	-	2,195,000
Notes payable	5,787,686	-	-	-	-	21,845,000	-	21,956,655	49,589,341
Accrued interest payable	48,334	-	-	18,625	10,310,778	4,771,312	607,952	44,659	15,801,660
Bonds payable	544,653	-	-	750,000	462,405,000	181,115,000	86,695,000	17,477,157	748,986,810
Unamortized premium (discount) on bonds and notes	-	-	-	(70,390)	(499,340)	(137,395)	(873,364)	(41,439)	(1,621,928)
TOTAL LIABILITIES	12,013,597	37	9	701,187	474,957,646	207,922,163	86,429,588	39,489,526	821,513,753
NET ASSETS:									
Invested in capital assets	1,636,575	-	-	-	-	-	-	-	1,636,575
Restricted	-	1,056,853	204,942	5,937,405	31,330,821	19,482,994	13,747,210	727,141	72,487,366
Unrestricted	8,625,299	-	-	-	-	-	-	-	8,625,299
TOTAL NET ASSETS	$ 10,261,874	1,056,853	204,942	5,937,405	31,330,821	19,482,994	13,747,210	727,141	82,749,240

VERMONT HOUSING FINANCE AGENCY
Statement of Revenues, Expenses, and Changes in Net Assets
For the Nine Months Ended March 31, 2009
(Unaudited)

		SINGLE FAMILY					MULTI-FAMILY		
	GENERAL FUND	INSURED MORTGAGE PROGRAM	MORTGAGE PURCHASE PROGRAM	HOME MTG PURCHASE PROGRAM	HOUSING PROGRAM	MULTIPLE PURPOSE BONDS	MORTGAGE PROGRAM	DIRECT PLACEMENT PROGRAM	COMBINED TOTAL
OPERATING REVENUES:									
Interest Income:									
Mortgage and construction loans receivable	$ 659,292	10,995	2,839	71,647	19,413,416	6,529,215	3,757,248	1,545,660	31,990,312
Investments	28,865	19,030	660	129,219	1,956,932	1,719,856	594,544	6,715	4,455,821
Fee Income:									
Multi-Family Mortgage Programs	199,084	-	-	-	-	95,802	-	-	294,886
Single Family Mortgage Programs	10,787	-	-	17	48	688	-	-	11,540
Miscellaneous income	122,552	-	-	-	-	-	-	-	122,552
Total operating revenues	1,020,580	30,025	3,499	200,883	21,370,396	8,345,561	4,351,792	1,552,375	36,875,111
OPERATING EXPENSES:									
Financing costs, including interest and amortization of premium, discount and costs of issuance	517,819	39	-	59,976	20,097,344	8,128,684	3,719,307	1,367,287	33,890,456
Mortgage service and contract administration fees	2,687	407	80	3,442	624,286	159,604	41,832	-	832,338
Salaries and benefits	2,452,374	-	-	-	-	-	-	-	2,452,374
Operating expenses	793,937	-	-	-	-	-	-	-	793,937
Professional fees	87,917	-	-	-	69,502	3,189	-	-	160,608
Trustee and assignee fees	154,448	-	-	-	-	-	-	-	154,448
Loss (gain) on bond redemptions	-	-	-	-	(109,585)	-	-	-	(109,585)
Property disposition and loan loss expenses (recoveries)	(8,236)	-	-	1,811	336,951	13,550	-	-	344,076
Total operating expenses	4,000,946	446	80	65,229	21,018,498	8,305,027	3,761,139	1,367,287	38,518,652
Operating income (loss)	(2,980,366)	29,579	3,419	135,654	351,898	40,534	590,653	185,088	(1,643,541)
NON-OPERATING REVENUES:									
Net appreciation (depreciation) in fair value of investments	-	(2,812)	-	-	104,653	-	33,398	-	135,239
Income (loss) before transfers	(2,980,366)	26,767	3,419	135,654	456,551	40,534	624,051	185,088	(1,508,302)
Net transfers to (from) programs	3,895,000	(1,282,500)	-	(4,179,000)	(1,100,000)	3,250,000	(575,000)	(8,500)	-
Increase (decrease) in net assets	914,634	(1,255,733)	3,419	(4,043,346)	(643,449)	3,290,534	49,051	176,588	(1,508,302)
Net assets at beginning of year	9,347,240	2,312,586	201,523	9,980,751	31,974,270	16,192,460	13,698,159	550,553	84,257,542
Net assets at end of period	$ 10,261,874	1,056,853	204,942	5,937,405	31,330,821	19,482,994	13,747,210	727,141	82,749,240

APPENDIX III

MORTGAGE INSURANCE PROGRAMS

The following description of certain mortgage insurance programs is only a brief outline and does not purport to summarize or describe all of the provisions of these programs. For a more complete description of the terms of these programs, reference is made to the provisions of the insurance and guaranty contracts embodied in the regulations of the FHA, the VA and USDA/RD, respectively.

Private Mortgage Insurance Programs

The General Resolution requires that, with respect to all Mortgage Loans and Cooperative Housing Loans to be purchased with the proceeds of Bonds and to be the subject of private mortgage insurance, each private mortgage insurer insuring such loans must be qualified to insure mortgages purchased by Fannie Mae or Freddie Mac. Both Fannie Mae and Freddie Mac require approval of private mortgage insurance companies before mortgages insured by those companies are eligible for purchase by them.

Among the considerations taken into account by Fannie Mae in determining whether to approve a private mortgage insurer are the following: (a) experienced mortgage insurers are expected to have policyholder's surplus of not less than $5 million; (b) it is preferred that an insurer's principal insurance activity relate to loss resulting from nonpayment of mortgages and deeds of trust on residential structures, with total liability not in excess of twenty-five times its policyholders' surplus; (c) a private mortgage insurer must demonstrate that it possesses the technical expertise necessary to properly evaluate property and credit; and (d) an insurer must expressly consent to and comply with Fannie Mae's requirements for audit and reports concerning changes in personnel, financial structure, qualifications, and rates.

Freddie Mac eligibility requirements for approving private mortgage insurers presently provide that: (a) not more than 10% of an insurer's mortgage insurance risk may be represented by mortgage insurance covering property other than real property improved by a building or buildings designed for occupancy by one to four families, (b) an insurer shall not insure mortgages secured by properties in a single housing tract or contiguous tracts where the insurance risk applicable thereto is in excess of 10% of its policyholders' surplus, (c) no insurer shall have more than 100 of its total insurance in force in any one Standard Metropolitan Statistical Area nor may any combination of insurance in force in any one state exceed 60% of its total insurance in force, and (d) an insurer shall limit its insurance risk with respect to each insured to the maximum permitted under state law. Prior to insuring a loan for any mortgage lender, such mortgage lender should be thoroughly investigated and evaluated by the insurer in the areas of (a) quality of appraisal ability, (b) quality of underwriting ability, (c) net worth and quality of assets, and (d) ability and past performance of servicing staff and adequacy of servicing procedures. A report with respect to each lender demonstrating that the investigation and evaluation has been made must be retained by the insurer.

Freddie Mac also requires the private mortgage insurer to meet the following financial requirements: (a) policyholders' surplus must be maintained at not less than $5 million of which at least $3 million shall be represented by capital stock and capital surplus, of which not less than $1,250,000 shall be represented by fully paid and non-assessable stock; (b) on annual policies an insurer shall maintain an unearned premium reserve computed on a monthly pro rata basis unless a greater unearned premium reserve is required by the state where the insurer is licensed, then such greater requirement shall be met, and on single premium policies issued for more than one year an insurer shall maintain an unearned premium reserve of not less than that computed under the laws of the state where the insured is

licensed or more if Freddie Mac determines that amount to be inadequate; (c) an insurer shall establish and maintain a contingency reserve in an amount equal to 50% of earned premiums; (d) an insurer shall maintain a loss reserve which includes a provision for claims incurred but not reported, including estimated losses on insured mortgages which have resulted in the conveyance of property which remains unsold, mortgages in the process of foreclosure or mortgages in default for four or more months; (e) an insurer shall maintain no less than 85% of its total assets in the form of marketable securities or other highly liquid investments which qualify as insurance company investments under the laws and regulations of the state of its domicile and the standards and interpretations of the National Association of Insurance Commissioners; and (f) an insurer shall not at any time have total insurance risk outstanding in excess of twenty-five times its policyholders' surplus. Approved private mortgage insurers must file quarterly and annual reports and an annual Certificate of Compliance with Freddie Mac.

Private mortgage insurance policies currently being issued by such private mortgage insurers contain provisions substantially as follows: (a) the private mortgage insurer must pay a claim, including unpaid principal, accrued interest and certain expenses, within 60 days of presentation of the claim by the Agency; (b) in order for the Agency to present a claim the Agency must have acquired, and tendered to the insurer, title to the property, free and clear of all liens and encumbrances, including any right of redemption by the mortgagor and must have restored the property to substantially its original condition, reasonable wear and tear excepted; (c) when a claim is presented, the insurer will have the option of paying the claim in full and taking title to the property and arranging for its sale or of paying the insured percentage of the claim and allowing the Agency to retain title to the property; and (d) claims may also be settled by the insurer at the option of the insured for actual losses where such losses are less than the insured percentage of the claim.

Recent rating agencies' reviews of private mortgage insurers may be indicative of some future inability of these insurers generally to fulfill in full their obligations, if and when required upon a mortgage default, to make timely payments on policies. The Agency makes no representation regarding the financial condition of any of the private mortgage insurance companies or their ability to make full and timely payments to the Agency on Mortgage Loans on which losses are incurred.

Federal Housing Administration Mortgage Insurance Programs

Section 203(b) of the National Housing Act, as amended (the "Housing Act"), authorizes the Federal Housing Administration of the Department of Housing and Urban Development (HUD) to insure mortgage loans of up to 30 years duration for the purchase of one-to-four family dwelling units.

Mortgage loans under the foregoing program must be in conformity with the maximum mortgage loan amount limitations and minimum down payment requirements specified in the Housing Act and regulations promulgated thereunder. In addition, the mortgagor under this program must establish to the satisfaction of the FHA that his income is adequate to meet the periodic payments required in the mortgage loan.

Currently, less than 1% of the Mortgage Loans financed with the proceeds of Previously Issued Bonds are insured under FHA insurance programs.

Veterans Administration Guaranty Program

The Veterans Administration (VA) is authorized by Chapter 37 of Title 38 of the United States Code to make mortgage loan guaranties for the purchase by veterans of one-to-four family dwelling units.

This program has no mortgage loan amount limitations, other than that the amount may not exceed the property's reasonable value as determined by the VA and requires no down payment from the purchaser. The maximum guaranty that may be issued by the VA under this program is a percentage of the original principal amount of the mortgage loan that varies depending upon the principal amount of the loan, but in no event will it exceed 50%. Currently, less than 1% of the Mortgage Loans financed with the proceeds of the Previously Issued Bonds are insured under VA programs.

United States Department of Agriculture/Rural Development Guaranty Program

The United States Department of Agriculture/Rural Development (formerly, the Farmers Home Administration, "USDA/RD") is authorized to make mortgage loan guaranties for the purchase of new or the purchase and improvement of existing dwellings, provided that any such dwelling is to be used by the purchaser as a primary residence, that the loan is made to a borrower who is a low or moderate income family or person whose income does not exceed 115% of the median income of the area as determined by the Secretary and the interest rate on the mortgage loan is a fixed rate not exceeding the higher of the maximum interest rate set by the VA from time to time or the then applicable Fannie Mae posted yield for 30-year mortgage commitments, whichever is higher. Properties on which the USDA/RD guarantee may apply must be located in a rural area designated by the USDA/RD State Director. The mortgage loan amount may not exceed the maximum dollar amount specified in Section 203(b)(2) of the Housing Act or 100% the acquisition cost, the current market value or the sale price of the dwelling, whichever is less. The maximum guaranty that may be issued by USDA/RD is equal to 90% of the amount of the mortgage note. The amount paid by USDA/RD under the guarantee is equal to 100% of the loss on the first 35% of the original loan amount and 85% of the loss on the balance.

Guaranteed Mortgage Lenders are required to notify USDA/RD, within 20 days, when any guaranteed mortgage loan becomes 30 days delinquent.

Upon default (failure of the borrower to comply with any of the terms of the mortgage loan), USDA/RD may order the lender to foreclose or otherwise take title to the property. After acquisition and disposition of the acquired property the lender may file a claim for loss pursuant to the terms of the USDA/RD loan guarantee agreement with the mortgage lender.

[Remainder of page intentionally left blank]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX IV

DEFINITIONS OF CERTAIN TERMS

The following are definitions in summary form of certain terms contained in the Resolution and used in this Remarketing Circular:

"*Additional Security*": shall have the meaning set forth in the section entitled "**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Additional Security**."

"*Aggregate Debt Service*": for any Fiscal Year means, as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to all Series of Bonds outstanding.

"*Available Commitment*" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment.

"*Available Interest Commitment*" means $848,417 which amount equals 187 days' interest with respect to the initial amount of the Available Principal Commitment for the Variable Rate Demand Bonds, based upon an assumed rate of interest of 12% per annum and a 365-day year for the actual number of days elapsed and, thereafter, means such initial amount adjusted from time to time as follows: (a) downward by an amount bearing the same proportion to such initial amount as the amount that any reduction in the Available Principal Commitment in accordance with clause (a) or (b) of the definition herein of "Available Principal Commitment" bears to the initial Available Principal Commitment and (b) upward by an amount bearing the same proportion to such initial amount as the amount that any increase in the Available Principal Commitment in accordance with clause (c) of the definition herein of "Available Principal Commitment" bears to the initial Available Principal Commitment.

"*Available Principal Commitment*" means initially (x) $13,800,000 which amount is equal to the aggregate principal amount of the Variable Rate Demand Bonds expected to be outstanding on the Liquidity Substitution Date, and thereafter shall mean such initial amount as adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment pursuant to the Standby Bond Purchase Agreement; (b) downward by the principal amount of any unremarketed Tendered Variable Rate Demand Bonds purchased by the Bank pursuant to the Standby Bond Purchase Agreement, such decrease to be effective as of any Purchase Date; and (c) upward by the principal amount of any unremarketed Tendered Variable Rate Demand Bonds theretofore purchased by the Bank hereunder which are remarketed by the Remarketing Agent or otherwise sold by the Bank pursuant to the Standby Bond Purchase Agreement, such increase to be effective as of the date the Bank is reimbursed in full with respect to such unremarketed Tendered Variable Rate Demand Bonds pursuant to the terms of this Agreement; provided that in no event shall the Available Principal Commitment exceed at any time the aggregate principal amount of Variable Rate Demand Bonds then outstanding. Any adjustments to the Available Principal Commitment pursuant to clause (a), (b) or (c) hereof shall occur simultaneously with the occurrence of the events described in such clauses.

"*Bond Rating Adverse Change*" means the underlying unenhanced rating of the Variable Rate Demand Bonds is below a BBB+ by S&P or A1 by Moody's, respectively; or the rating is suspended or withdrawn by either S&P or Moody's for credit related reasons.

"*Bond Reserve Fund Requirement*": as of any date of computation, an amount at least equal to the aggregate of the Series Bond Reserve Fund Requirements for all Series of Bonds outstanding.

"*Bondowner*" and the terms "*Owner*" or "*owner*" when used with reference to Bonds, means the registered owner of any Bond.

"*Compound Interest Bonds*": Bonds which provide for the addition of all or any part of accrued and unpaid interest thereon to the principal due thereon upon such terms and for such periods of time as may be determined by the applicable supplemental resolution.

"Conversion Date" shall mean the date on which all or a portion of the Variable Rate Demand Bonds are or have been converted to bear interest at a Flexible Rate, an Auction Rate or a Fixed Rate in accordance with the Resolution.

"*Cooperative Housing Loan*": an obligation secured by a pledge of a cooperative interest and a conditional assignment of the proprietary lease incidental thereto made by a member of a cooperative housing corporation which is located in the State and organized under the laws of the State; the term "Cooperative Housing Loan" may also include a participation in a loan to all members of a cooperative housing corporation but excludes a Loan on limited equity cooperative housing as defined in the Code.

"*Debt Service*": means, with respect to any particular period and any Series of Bonds outstanding, an amount equal to the sum of (1) all interest payable on such Bonds during such period (other than interest, if any, included in the Principal Installments on such Bonds payable in such period) plus (2) the Principal Installment or Installments of such Bonds payable during such period. In the case of any Bonds bearing interest at a variable interest rate, Debt Service shall be calculated as provided in the applicable supplemental resolution.

"Fannie Mae" means Fannie Mae, a government sponsored enterprise organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 et seq.), and any successor thereto.

"Fannie Mae Certificate" means a single pool, guaranteed mortgage pass-through Fannie Mae mortgage-backed security issued by Fannie Mae in book-entry form, recorded in the name of the Trustee or its nominee, guaranteed as to the full and timely payment of principal and interest by Fannie Mae and backed by Mortgage Loans.

"*Fiscal Year*": means the period of twelve calendar months ending with June 30 of any year.

"Freddie Mac" means the Federal Home Loan Mortgage Corporation, a stockholder-owned, government sponsored enterprise, created and existing under the Freddie Mac Act, and any successor thereto.

"Freddie Mac Act" means the Federal Home Loan Mortgage Corporation Act and Title III of the Emergency Home Finance Act of 1970, as amended.

"Freddie Mac Certificate" means a security or participation certificate issued by Freddie Mac in book-entry form, the full and timely payment of principal of and interest on which is guaranteed by Freddie Mac, which evidences an undivided interest in a Pool of Mortgage Loans, all of which loans provide for monthly payments of principal and interest in substantially equal installments for the contractual term of such loan and are amortized over the original term to maturity.

"GNMA" means the Government National Mortgage Association, a wholly-owned corporate instrumentality of HUD, and any successor thereto, whose powers are prescribed generally by Title III of the National Housing Act of 1934, as amended.

"GNMA Certificate" means custom pool, fully-modified mortgage-backed GNMA I Certificate or GNMA II Certificate, issued by the Servicer, registered in the name of the Trustee or its nominee, guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and the regulations promulgated thereunder and backed by FHA Insured Mortgage Loans, RD Guaranteed Mortgage Loans or VA Guaranteed Mortgage Loans in the related Mortgage Pool.

"*Home Improvement Loan*": a note, whether or not secured by a Mortgage, evidencing a loan to a borrower to finance alterations, repairs, and improvements on or in connection with Residential Housing to protect or improve the basic livability or energy efficiency of the property, as more fully described in any supplemental resolution;

"*Investment Obligation*": Any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (2) any non-callable or irrevocably called, refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) hereof and which at their time of purchase under the Resolution bear the highest rating available from each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds; (3) obligations of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Fannie Mae (excluding "stripped" securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Student Loan Marketing Association, or Tennessee Valley Authority; (4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; (5) obligations of any state of the United States or of any political subdivision or public agency or instrumentality thereof, including the Agency, provided that at the time of their purchase under the Resolution such obligations are rated no lower than the rating assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds; (6) direct obligations of or obligations guaranteed by the State provided that at the time of their purchase under the Resolution such obligations are rated no lower than the unenhanced rating assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds; (7) prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, having at the time of their purchase the highest rating category available from each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds; (8) interest bearing time deposits, certificates of deposit or other similar banking arrangements with banks, provided such deposits are either made with banks having a rating no lower than the rating on the Bonds or are fully collateralized and secured by obligations described in clauses (1) through (6) above, which at all times have a market value (exclusive of accrued interest) at least equal to such deposit so secured, including interest; (9) shares of a diversified open-end money market fund which has either been rated by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds at a level which will not adversely affect the unenhanced ratings on the Bonds or which is invested in obligations described in clauses (1) through (6) above; (10) repurchase agreements for obligations of the type specified in clauses (1), (2) and (3) above, provided either such repurchase agreement is an unconditional obligation of the provider thereof and the provider is rated at a level which will not adversely affect the unenhanced rating on the Bonds or such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase

agreements; and (11) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, the investment in which will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds.

"*Loan*": a Mortgage Loan, a Home Improvement Loan, a Cooperative Housing Loan, a Loan Security or a Residential Housing Loan which (1) complies, at the time or purchase by the Agency, with the provisions of the Act and the Resolution and any additional provisions provided in any supplemental resolution, (2) is purchased or made with proceeds of Bonds or other moneys held under the Resolution, (3) is held under the Resolution, (4) represents a loan or other form of financing (or an interest therein) for the purchase, construction, rehabilitation, refinancing or improvement of Residential Housing, and (5) if a variable rate loan, the purchase or making of which will not adversely affect the ratings on the Bonds.

"*Loan Loss*": the amount of any loss realized by the Agency upon the default on a Loan held under the Resolution for the account of a Series of Bonds, which amount shall not exceed the sum of (a) the unpaid principal balance of the Loan at the date of the default, (b) the amount of accumulated delinquent interest due on the Loan, and (c) the amount of advances made by or for the account of the Agency with respect to such Loan, less the sum of (d) the amount of all rents, sale proceeds, foreclosure proceeds, insurance settlements, self-insurance proceeds (other than Loan Loss Claim Fund Withdrawals) and other payments collected or received by the Agency from or on account of such Loan, (e) the amount of cash remaining in any escrow account maintained for such Loan, (f) the amount paid under any fire and extended coverage policy which is in excess of the amount applied to the restoration of the property or the payment of the Loan and (g) the amount of any Loan Loss on account of such Loan previously paid from amounts on deposit in a Loan Loss Claim Fund or a Home Improvement Loan Loss Claim Fund, as applicable.

"*Loan Loss Claim Fund Deposits*": any one or more of the following to the extent its deposit in a Loan Loss Claim Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (a) irrevocable and unexpired letters of credit issued by banking institutions, (b) irrevocable policies of insurance in full force and effect issued by insurers, (c) irrevocable guarantees by banks, bank holding companies, insurance companies or surety companies or (d) any other similar security or source thereof; in any case deposited or held under the Resolution for the credit of a Loan Loss Claim Fund and providing for the payment of sums available to pay Loan Loss Claim Fund Withdrawals.

"*Loan Prepayments*": all payments on a Loan which reduce or eliminate the principal balance due on the Loan by reason of the prepayment of all or a part of such principal before the due date thereof, including, without limitation, amounts paid on account of acceleration, sale or other disposition of such Loan or of the collateral securing such Loan and the proceeds of any private or governmental insurance or guaranty, or any Additional Security applicable to such Loan, but excluding the portion, if any, of such amounts representing the principal which would have been due or past due on such Loan had such Loan not been prepaid.

"*Loan Principal Payments*": all payments, other than Loan Prepayments, on a Loan which reduce or eliminate the principal balance due on a Loan, including without limitation, scheduled payments of principal on such Loan and the current or past due portion, if any, of amounts paid with respect to principal on account of (a) acceleration of the due date of such Loan, (b) sale or other disposition of such Loan or the collateral securing such Loan, and (c) receipt of proceeds of any private or governmental mortgage insurance or guaranty or any Additional Security applicable to such Loan.

"*Loan Security*": a security, instrument of indebtedness or other obligation of or guaranteed by a Mortgage Lender, the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, PMI Mortgage Insurance Company or other agency or instrumentality of the United States of America or the State, payable from or representing an interest in Loans or interests therein and as more fully described in the applicable supplemental resolution authorizing the issuance of a Series of Bonds for the purchase of such Loan Securities. Fannie Mae Certificates, Freddie Mac Certificates and GNMA Certificates are all types of Loan Securities.

"*Mortgage*": a mortgage deed, deed of trust, or other instrument which shall constitute a lien on real property in fee simple or on a leasehold under a lease having a remaining term, at the time such mortgage is acquired, which does not expire for at least that number of years beyond the maturity date of the obligation secured by the mortgage as is equal to the number of years remaining until the maturity date of the obligation or on a cooperative interest (as defined in the Act) or on an interest in a mobile home. "Mortgage" shall also include any mortgage or obligation guaranteed by the PMI Mortgage Insurance Company or its successor.

"*Mortgage Lender*": any bank or trust company, Fannie Mae approved mortgage banker, savings bank, savings and loan association, industrial bank, credit union, national banking association, federal savings and loan association, federal credit union or other financial institution or governmental agency or instrumentality which customarily provides or otherwise aids in the financing of mortgage loans on Residential Housing; where the context requires, "Mortgage Lender" shall also mean and include a seller of Loans to the Agency or a servicer of Loans for the Agency or the issuer, guarantor or other obligor on a Loan Security.

"*Mortgage Loan*": (a) an obligation which is secured by a Mortgage or note or bond constituting a lien on land and improvements in the State; or (b) an obligation secured by an owner-occupant's interest in a mobile home provided that: (i) the mobile home is to be sited in a manner intended for continuous residential occupancy by the owner-occupant on land owned by the owner and the obligation is secured by a Mortgage which constitutes a first lien on the mobile home and the real property to which it is affixed; or (ii) the mobile home is to be sited in a manner intended for continuous residential occupancy on land leased by the owner-occupant and the obligation is secured by a note or otherwise and collateral or conditional assignment of a lease of real property which constitutes a first lien upon the mobile home and lease. As used in each Supplemental Resolution, the term Mortgage Loan is deemed to include a Loan Security representing an interest in Mortgage Loans.

"*Nationally Recognized Credit Rating Agency*": any credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and which has assigned and currently maintains a rating on any outstanding Bonds at the request of the Agency and any successor to any such agency by merger, conversion, consolidation or otherwise.

"*Premium PAC Bond Outstanding Applicable Amount*": the amount of the Premium PAC Bonds for the Series 22C Bonds which are calculated to be Outstanding for such series based on the assumed receipt of Loan Prepayments received with respect to the Series 22C Loans at 75% of the PSA Prepayment Model, and redemption of the Series 22C Bonds in accordance with the Resolution.

"*Principal Amount*": with respect to any Bond and at any date of computation, the stated principal thereof or, with respect to any Compound Interest Bond or Discount Bond, the amount designated as the Principal Amount thereof pursuant to the applicable Supplemental Resolution.

"*Principal Installment*": as of any particular date of computation, an amount of money equal to the sum of (1) the Principal Amount of outstanding Bonds which mature on a single future date, reduced

by the aggregate Principal Amount of such outstanding Bonds which would at or before said future date be retired by reason of the payment when due and application in accordance with the Resolution of sinking fund installments payable at or before said future date and (2) the amount of any sinking fund installment payable on said future date.

"*Program Expenses*": any fee, premium or other item of expense directly or indirectly payable by or reimbursable to the Agency and related to (a) the compensation and expenses of the Trustee and any other paying agents, (b) the servicing of Loans (whether by the Agency or Mortgage Lenders or others), (c) the maintenance in full force and effect of any Additional Security or any Reserve Deposits, (4) any policy or policies of insurance on or relating to Loans maintained by the Agency pursuant to any supplemental resolution and (5) reasonable costs and expenses incurred by the Agency in connection with its ownership, preservation, rehabilitation or disposition of property acquired by the Agency through the protection or enforcement of its rights conferred by law under the applicable Loan.

"*Projection of Revenues*": a certificate of an authorized officer setting forth for the current and each succeeding Fiscal Year the Agency's estimate of: (a) all Revenues, other than Loan Prepayments, reasonably expected to be received, (b) the aggregate amount of Loan Prepayments, if any, which the Agency expects to receive and the amount of such Loan Prepayments and other Revenues which will be applied to the purchase or making of Loans; (c) all other Revenues, including investment income to be earned and the rates or yields used in estimating such amounts; (d) the amounts, if any, expected by the Agency to be withdrawn from the Bond Reserve Fund; (e) any other funds expected by the Agency to be available for and applied to the payment of Aggregate Debt Service and Program Expenses; (f) the Aggregate Debt Service on all Bonds expected by the Agency to be outstanding during such Fiscal Year; (g) the Agency's program expenses for such Fiscal Year based upon the Agency's previous experience; (h) the Rebate Requirement, if any, for all Series of Bonds outstanding; and (i) such other amounts, funds, projections or calculations as may be required by any supplemental resolution.

"*PSA Prepayment Model*": the standard or model developed by SIFMA (formerly the Bond Markets Association and the Public Securities Association) to measure prepayments on mortgage loans. The PSA Prepayment Model is based on an assumed rate of prepayment each month of the then unpaid principal balance of the Mortgage Loans. The PSA Prepayment Model has an increasingly large percentage of the mortgages prepaying each month for the first thirty (30) months of the mortgages' life and then assumes a constant prepayment rate of six percent (6%) per annum of the unpaid principal balance for the remaining life of the mortgages.

"*Qualified Rehabilitation Loan*": a Mortgage Loan or a Cooperative Housing Loan that is a "qualified rehabilitation loan" within the meaning of Section 143(k)(5) of the Code and which meets the requirements of the Resolution.

"*Rebate Requirement*": means with respect to a particular Series of Bonds, the amount determined to be the Rebate Requirement, if any, for such Series pursuant to the applicable supplemental resolution.

"*Reserve Deposits*": any one or more of the following to the extent its deposit under the Resolution for the account of the Bond Reserve Fund will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each Nationally Recognized Credit Rating Agency then maintaining a credit rating on the Bonds: (a) irrevocable and unexpired letters of credit issued by banking institutions, (b) irrevocable policies of insurance in full force and effect issued by insurers, (c) irrevocable guarantees by banks, bank holding companies or insurance companies and (d) such other security or source thereof or other amounts as may be specified in a supplemental resolution and pledged to the payment of the Bonds or Loans securing Bonds (whether or not held under the Resolution); and in

any case providing for the payment of sums available to pay the Principal Installments of and interest on Bonds, the principal of and interest on Loans or other costs in the manner provided in the Resolution.

"*Residential Housing*": owner-occupied, single family dwellings located or to be located in the State comprised of one-to-four residential housing units, including without limitation cooperative interests (as defined in the Act) and mobile homes, designed primarily to provide permanent dwelling accommodations for persons and families.

"*Residential Housing Loan*": an unsecured note, bond or other obligation representing a loan on, or financing of, Residential Housing.

"*Revenues*": (a) all amounts paid or required to be paid on or with respect to Loans, including without limitation interest payments on Loans, Loan Principal Payments and Loan Prepayments, but excluding commitment fees payable by Mortgage Lenders to the Agency and amounts payable by borrowers for the origination or servicing of Loans, (b) all payments received on account of Reserve Deposits and, to the extent provided in the applicable supplemental resolution, on account of any Additional Security and (c) all interest, investment gains and other income received on moneys or securities held pursuant to the Resolution and paid or to be paid into the Revenue Fund.

"*Series*" or "*series*": when used with respect to less than all of the Bonds, means and refers to all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or in substitution for any of such Bonds pursuant to the General Resolution.

"*Twenty-Sixth Supplemental Resolution*": the Twenty-Sixth Supplemental Single Family Housing Bond Resolution adopted by the Agency on June 8, 2005 authorizing the issuance and sale of the Series 22C Bonds.

"*Variable Rate Demand Bonds Outstanding Applicable Amount*": the amount of the Variable Rate Demand Bonds which are calculated to be Outstanding based on the assumed receipt of Loan Prepayments received with respect to the Series 22C Loans, at 100% of the PSA Prepayment Model and redemption of the Variable Rate Demand Bonds in accordance with the Resolution.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX V

CERTAIN INFORMATION REGARDING THE CREDIT ENHANCEMENT PROVIDER

The information in this Appendix V has been provided for inclusion herein by Financial Security Assurance Inc. ("FSA"). None of such information or any of the statements referred to in this Appendix V is guaranteed as to accuracy or completeness by the Agency or the Remarketing Agent of the Variable Rate Demand Bonds or is to be construed as a representation by the Agency or such Remarketing Agent. Furthermore, neither the Agency nor the Remarketing Agent of the Variable Rate Demand Bonds makes any representations as to the financial condition or resources of FSA or as to the absence of material adverse changes in the information contained in the statements referred to above.

Financial Security Assurance Inc.

FSA is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. No shareholder of AGL, Holdings or FSA is liable for the obligations of FSA.

On July 1, 2009, AGL acquired the financial guaranty operations of Holdings from Dexia S.A. ("Dexia"). In connection with such acquisition, Holdings' financial products operations were separated from its financial guaranty operations and retained by Dexia.

FSA's financial strength is rated "AAA" (negative outlook) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's") and "AA+" (Ratings Watch Negative) by Fitch, Inc. ("Fitch"). Each rating of FSA should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by FSA. FSA does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Ratings

On July 1, 2009, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on FSA. At the same time, S&P continued its negative outlook on FSA. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

On May 20, 2009, Moody's issued a press release stating that it had placed the "Aa3" insurance financial strength rating of FSA on review for possible downgrade. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

In a press release dated May 11, 2009, Fitch announced that it had downgraded the insurer financial strength rating of FSA to "AA+" from "AAA" and placed such rating on Ratings Watch Negative. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

There can be no assurance as to the outcome of Moody's review or the timing of when such review may be completed, or as to the further action that Fitch or S&P may take with respect to FSA.

For more information regarding FSA's financial strength ratings and the risks relating thereto, see Holdings' Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed by Holdings with the Securities and Exchange Commission ("SEC") on March 19, 2009, and Holdings' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, which was filed by Holdings with the SEC on May 20, 2009.

Capitalization of FSA

At March 31, 2009, FSA's consolidated policyholders' surplus and contingency reserves were approximately $1,980,414,233 and its total net unearned premium reserve was approximately $2,476,302,376 in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by Holdings with the SEC that relate to FSA are incorporated by reference into this Remarketing Circular and shall be deemed to be a part hereof:

(i) Annual Report of Holdings on Form 10-K for the fiscal year ended December 31, 2008 (which was filed by Holdings with the SEC on March 19, 2009); and

(ii) Quarterly Report of Holdings on Form 10-Q for the quarterly period ended March 31, 2009 (which was filed by Holdings with the SEC on May 20, 2009).

All information relating to FSA included in, or as exhibits to, documents filed by Holdings or AGL pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the filing of the last document referred to above and before the termination of the offering of the Variable Rate Demand Bonds shall be deemed incorporated by reference into this Remarketing Circular and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at Holdings' website at http://www.fsa.com, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding FSA included in this Appendix V under the heading "—Financial Security Assurance Inc." or included in a document incorporated by reference herein (collectively, the "FSA Information") shall be modified or superseded to the extent that any subsequently included FSA Information (either directly or through incorporation by reference) modifies or supersedes such previously included FSA Information. Any FSA Information so modified or superseded shall not constitute a part of this Remarketing Circular, except as so modified or superseded.

FSA makes no representation regarding the Variable Rate Demand Bonds or the advisability of investing in the Variable Rate Demand Bonds. In addition, FSA has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of

this Remarketing Circular or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding FSA supplied by FSA and presented under the heading "**MUNICIPAL BOND INSURANCE**" herein, this Appendix V under the heading "—Financial Security Assurance Inc." and Appendix VIII.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX VI

FORM OF OPINION OF BOND COUNSEL AT ISSUANCE OF THE SERIES 22C BONDS

June 8, 2005

Vermont Housing Finance Agency
Burlington, Vermont

Vermont Housing Finance Agency
Single Family Housing Bonds
Series 22C

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Vermont Housing Finance Agency (the "Agency") of $41,960,000 aggregate principal amount of its Single Family Housing Bonds, Series 22C (the "Series 22C Bonds"). The Series 22C Bonds are authorized to be issued pursuant to No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the "Act"), and under and pursuant to the Agency's Single Family Housing Bond Resolution adopted on September 20, 1990, as amended (the "General Resolution") and the Agency's Twenty-Sixth Supplemental Single Family Housing Bond Resolution adopted on March 17, 2005 (as amended by the First Amendment thereto adopted on April 14, 2005, and as supplemented by the Series Certificate of the Chair and Executive Director of the Agency, dated the date hereof, the "Twenty-Sixth Supplemental Resolution"). The General Resolution and the Twenty-Sixth Supplemental Resolution are referred to herein, collectively, as the "Resolutions."

The Series 22C Bonds are being issued to make moneys available to purchase loans made to finance the purchase or improvement of single family housing in the State of Vermont (the "State") by persons and families of low and moderate income and to make deposits in certain funds and accounts under the Resolutions. The Series 22C Bonds, as well as any bonds previously issued and outstanding under the General Resolution and any additional bonds to be issued thereunder (collectively, the "Bonds"), are equally and ratably secured by the General Resolution.

The Series 22C Bonds are dated, mature in the years, in the respective principal amounts and bear interest at the rates per annum set forth in the Twenty-Sixth Supplemental Resolution. The interest rates on the Series 22C Bonds are subject to further adjustment in the manner set forth in the Resolutions and the Series 22C Bonds are subject to mandatory tender for purchase on certain dates as provided in the Resolutions. The Series 22C Bonds are also subject to redemption prior to maturity upon the terms and conditions and at the redemption prices provided therein and in the Resolutions.

In rendering this opinion we have reviewed the Resolutions and certain other documents, certificates and other materials delivered in connection with the issuance of the Series 22C Bonds. The

Agency has covenanted in the Resolutions to do all things necessary to assure that interest on the Series 22C Bonds will not be includable in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code") and the regulations promulgated thereunder. Under Sections 143 and 148 of the Code, certain requirements must be met subsequent to the delivery of the Series 22C Bonds in order that interest on the Series 22C Bonds not be includable in gross income for federal income tax purposes under the Code. Certain covenants of the Agency and other parties, as well as affidavits and other procedures, are set forth in the documents relating to the issuance of the Series 22C Bonds and the Agency's single family mortgage purchase program to comply with the requirements of the Code. We have examined such documents and such covenants, affidavits and other procedures and are of the opinion that they are sufficient to enable the Agency to comply with the requirements of the Code.

Based on the foregoing it is our opinion that:

(a) The Agency is duly created and validly existing under the Act as a body politic and corporate of the State and has the right and power under the Act to adopt the Resolutions and to authorize, issue and deliver the Series 22C Bonds.

(b) The Resolutions have been duly and lawfully adopted by the Agency, are in full force and effect and are valid and binding upon the Agency and enforceable in accordance with their terms and no other authorization for the Resolutions is required. The Resolutions create the valid pledge which they purport to create of (i) the Revenues, (ii) all Loans and any other Revenue-producing contracts and all rights and interests of the Agency incident thereto and the proceeds thereof, and (iii) all moneys, securities and Reserve Deposits, if any, in all funds and accounts created by or pursuant to the Resolutions (except the Rebate Fund), subject only to the provisions of the Resolutions permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Resolutions.

(c) The Series 22C Bonds have been duly authorized, executed, issued and delivered by the Agency in accordance with the Act and the Resolutions and constitute valid and binding special obligations of the Agency, which has no taxing power, enforceable in accordance with their terms and the terms of the Resolutions and entitled to the benefits of the Act and the Resolutions. The Series 22C Bonds do not constitute a debt or liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision but shall be payable solely from the revenues or assets of the Agency pledged to the payment thereof.

(d) Under existing laws, regulations, rulings and judicial decisions, assuming continuing compliance by the Agency with the enforcement by the Agency of the Resolutions, interest on the Series 22C Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Series 22C Bonds is a separate tax preference item for purposes of calculating the alternative minimum tax imposed by the Code on individuals and corporations. No opinion as to the exclusion from gross income of interest on any of the Series 22C Bonds is expressed subsequent to any date on which action is taken pursuant to the Resolutions for which action the Resolutions require a legal opinion to the effect that taking such action will not adversely affect such exclusion, should the undersigned not deliver an opinion as of such date to such effect.

The accrual or receipt of interest on the Series 22C Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the

recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The foregoing opinions are qualified only to the extent that the enforceability of the Series 22C Bonds and the Resolutions may be limited by the exercise of judicial discretion in accordance with general equitable principles and by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally heretofore or hereafter enacted to the extent constitutionally enforceable.

The scope of our engagement has not extended beyond the examinations and the rendering of the opinions expressed herein. The opinions expressed herein are based upon existing law as of the date hereof, and we express no opinion herein as of any subsequent date or with respect to any pending legislation.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX VII

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE SERIES 22C BONDS

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

Vermont Housing Finance Agency
Single Family Housing Bonds,
Series 22C (AMT)

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Vermont Housing Finance Agency (the "Agency") and TD Banknorth, N.A., Williston, Vermont (the "Trustee") in connection with the offering and sale of $41,960,000 aggregate principal amount of the Agency's Single Family Housing Bonds, Series 22C (the "Bonds") all as more fully described in the official statement of the Agency dated April 26, 2005 (the "Official Statement"). The Bonds are being issued pursuant to a resolution of the Agency adopted on September 20, 1990, as heretofore amended and supplemented (the "General Resolution") and the Agency's Twenty-Sixth Supplemental Single Family Housing Bond Resolution adopted on March 17, 2005 (the "Twenty-Sixth Supplemental Resolution"). The General Resolution and the Twenty-Sixth Supplemental Resolution are herein called the "Resolution." The Agency and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency and the Trustee for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Director of Finance of the Agency or his or her designee, or such other officer or employee as the Agency shall designate in writing to the Trustee from time to time.

"Dissemination Agent" shall mean the Agency, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are available as public information on the SEC's Internet site at http://www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Vermont.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Agency's fiscal year (presently June 30), commencing with the report for the 2005 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Agency shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Agency and the Dissemination Agent to determine if the Agency is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Agency and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the Agency for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The financial information and operating data of the Agency for the prior fiscal year generally consistent with the financial information and operating data contained in the Official Statement under the headings "THE AGENCY - Operations to Date" and "- Outstanding Indebtedness" and "SECURITY FOR THE BONDS" and in "APPENDIX I - CERTAIN INFORMATION RELATING TO THE AGENCY'S EXISTING SINGLE FAMILY HOUSING BOND PROGRAM" thereto.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform;

11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Agency promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Agency shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Agency has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Agency shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Agency determines that the Listed Event would not be material under applicable federal securities laws, the Agency shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Agency to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 6. Management Discussion of Items Disclosed in Annual Reports or as Significant Events. If an item required to be disclosed in the Agency's Annual Report under Section 4, or as a Listed Event under Section 5, would be misleading without discussion, the Agency shall additionally provide a statement clarifying the disclosure in order that the statement made will not be misleading in the context in which it was made.

SECTION 7. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Agreement.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency and the Trustee may amend this Disclosure Agreement (and the Trustee shall

agree to any amendment so requested by the Agency), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. (a) In the event of a failure of the Agency or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement.

(b) Notwithstanding the foregoing, no Holder or Beneficial Owner of the Bonds shall have the right to challenge the content or adequacy of the information provided pursuant to Sections 3, 4 or 5 of this Disclosure Agreement by mandamus, specific performance or other

equitable proceedings unless Holders or Beneficial Owners of Bonds representing at least 66 2/3% in aggregate principal amount of the Bonds shall join in such proceedings.

(c) A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article X of the General Resolution is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Resolution. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Agency: Vermont Housing Finance Agency
164 St. Paul Street
Burlington, Vermont 05401-4634
Attention: Chief Financial Officer
Telephone/Fax: (802) 864-5743/(802) 864-5746

To the Trustee: TD Banknorth, N.A.
2300 St. George Road
Williston, Vermont 05495
Attention: Trust Department
Telephone/Fax: (802) 872-2050/(802) 879-2216

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: June 8, 2005

VERMONT HOUSING FINANCE AGENCY

By: _____
Title: Authorized Officer

TD BANKNORTH, N.A., as Trustee

By: _____
Title: Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND
STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Vermont Housing Finance Agency (the "Agency")
Name of Bond Issue: $41,960,000 Single Family Housing Bonds, Series 22C (AMT)

Date of Issuance: June 8, 2005

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated June 8, 2005 between the Agency and Trustee. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

TD BANKNORTH, N.A.,
on behalf of AGENCY

cc: Agency

APPENDIX VIII

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium: $

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment

SPECIMEN

made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
31 West 52nd Street, New York, N.Y. 10019

(212) 826-0100

Form 500NY (5/90)

SPECIMEN

Printed by: ImageMaster, Inc.