

*In the opinion of Edwards Wildman Palmer LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the 2012A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the 2012A Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2012A Bonds. See “TAX EXEMPTION” herein.*

**\$10,820,000**  
**STATE OF VERMONT**  
**Special Obligation Transportation Infrastructure Bonds**  
**2012 Series A**



**Dated: Date of Delivery**

**Due: June 15, as shown below**

The 2012 Series A Bonds (the “2012A Bonds”) will be issued as fully registered 2012A Bonds, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), an automated depository for securities and clearinghouse for securities transactions. Purchases of beneficial interests in the 2012A Bonds will be made in book-entry form (without certificates) in the denomination of \$5,000 or any integral multiple thereof. So long as DTC, or its nominee, Cede & Co., is the registered owner of the 2012A Bonds, payments of the principal of, premium, if any, and interest on the 2012A Bonds will be made directly to Cede & Co., which will remit such payments to DTC participants, which in return will remit such payments to the beneficial owners of the 2012A Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein.

Interest on the 2012A Bonds will be payable semiannually on June 15 and December 15, commencing December 15, 2012. The 2012A Bonds will be subject to redemption prior to maturity as more fully described herein.

The 2012A Bonds will be special, limited obligations of the State of Vermont payable from and secured solely by a pledge of Pledged Funds, as defined herein, all rights to receive Pledged Funds, and all Funds and Accounts, other than the Rebate Fund, held under the Trust Agreement dated as of July 1, 2010 between the State of Vermont (the “State”) and People’s United Bank, as Trustee (the “Trustee”). Pledged Funds are moneys received or to be received by the State from certain Motor Fuel Transportation Infrastructure Assessment revenues, all as described herein. See “AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

THE 2012A BONDS ARE NOT GENERAL OBLIGATIONS OF THE STATE AND ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE STATE. THE 2012A BONDS ARE PAYABLE ONLY FROM PLEDGED FUNDS AND OTHER MONEYS AVAILABLE TO THE OWNERS OF THE 2012A BONDS UNDER THE TRUST AGREEMENT.

**2012 Series A Bonds**

<b>Due</b>	<b>Principal</b>	<b>Interest</b>	<b>Price or</b>	<b>CUSIP</b>	<b>Due</b>	<b>Principal</b>	<b>Interest</b>	<b>Price or</b>	<b>CUSIP</b>
<b>June 15</b>	<b>Amount</b>	<b>Rate</b>	<b>Yield</b>	<b>Number†</b>	<b>June 15</b>	<b>Amount</b>	<b>Rate</b>	<b>Yield</b>	<b>Number†</b>
2013	\$405,000	2.00%	0.30%	92428H AW3	2023	\$540,000	2.00%	2.13%	92428H BG7
2014	450,000	2.00	0.40	92428H AX1	2024	550,000	2.50	2.20 <sup>c</sup>	92428H BH5
2015	460,000	2.00	0.50	92428H AY9	2025	565,000	2.25	2.30	92428H BJ1
2016	470,000	2.00	0.60	92428H AZ6	2026	575,000	2.50	2.40 <sup>c</sup>	92428H BK8
2017	480,000	2.00	0.80	92428H BA0	2027	590,000	2.50	2.50	92428H BL6
2018	490,000	2.00	1.05	92428H BB8	2028	605,000	2.50	2.60	92428H BM4
2019	500,000	2.00	1.30	92428H BC6	2029	620,000	2.50	2.67	92428H BN2
2020	505,000	2.00	1.55	92428H BD4	2030	635,000	3.00	2.85 <sup>c</sup>	92428H BP7
2021	520,000	2.00	1.80	92428H BE2	2031	655,000	3.00	2.92 <sup>c</sup>	92428H BQ5
2022	530,000	2.00	2.00	92428H BF9	2032	675,000	3.00	3.00	92428H BR3

<sup>c</sup> Priced at the stated yield to the June 15, 2021 redemption date at a price of 100%. See “THE 2012A BONDS – Optional Redemption” herein.

The 2012A Bonds are offered subject to the final approving opinion of Edwards Wildman Palmer LLP, Boston, Massachusetts, and to certain other conditions referred to herein and in the Notice of Sale. Public Resources Advisory Group serves as Financial Advisor to the State. It is expected that the 2012A Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about August 9, 2012.

July 31, 2012

† Copyright 2012, American Bankers Association. CUSIP data is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are included solely for convenience of reference. The State does not assume any responsibility for the accuracy of such numbers.

**STATE OF VERMONT**

**ELECTED OFFICERS**

Name

PETER E. SHUMLIN, *Governor*

PHILIP B. SCOTT, *Lieutenant Governor*

ELIZABETH A. PEARCE, *Treasurer*

JAMES C. CONDOS, *Secretary of State*

THOMAS M. SALMON, *Auditor of Accounts*

WILLIAM H. SORRELL, *Attorney General*

**BOND COUNSEL**

Edwards Wildman Palmer LLP  
Boston, Massachusetts

**FINANCIAL ADVISOR**

Public Resources Advisory Group  
Media, Pennsylvania

**In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. The securities described in this Official Statement 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.**

**No dealer, broker, salesperson, or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2012A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Vermont since the date hereof.**

**This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of factors affecting the State’s financial results could cause actual results to differ materially from those stated in the forward-looking statements.**

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STATE OF VERMONT

**\$10,820,000**  
**SPECIAL OBLIGATION TRANSPORTATION INFRASTRUCTURE BONDS**  
**2012 SERIES A**

**INTRODUCTORY STATEMENT**

This Official Statement of the State of Vermont (the “State”), including the cover page and appendices, is provided for the purpose of presenting certain information in connection with the sale of \$10,820,000 aggregate principal amount of its Special Obligation Transportation Infrastructure Bonds, 2012 Series A (the “2012A Bonds”).

In 2009, the Vermont General Assembly enacted Act No. 50 of the 2009 Legislative session (“Act No. 50”). Section 28 of Act No. 50 amended Chapter 13 of Title 32 of the Vermont Statutes Annotated by inserting Subchapter 4 thereof (the “TIB Statute”) pertaining to transportation infrastructure bonds. Under the TIB Statute, the State Treasurer is authorized to issue transportation infrastructure bonds (“Bonds”) from time to time in amounts authorized by the General Assembly in its annual transportation bill to finance the costs of rehabilitation, reconstruction or replacement of state and municipal bridges and culverts and state roads, railroads, airports and necessary buildings, which, after such work, have a remaining useful life of 30 years or more, and other bond-related costs. The principal of and interest on such Bonds are payable from and secured solely by a pledge of and lien on the Motor Fuel Transportation Infrastructure Assessments (the “Assessments”) imposed by Section 22 of Act No. 50, which amended Section 3003(a) of Title 23 of the Vermont Statutes Annotated and by Section 24 of Act No. 50, which amended and Section 3106(a) of Title 23 of the Vermont Statutes Annotated (together, the “Assessment Statutes”). Under the TIB Statute, Bonds may be issued as general obligations or special obligations of the State. **The 2012A Bonds are not general obligations of the State and are not secured by the full faith and credit of the State. The 2012A Bonds are being issued as special, limited obligations of the State payable only from Pledged Funds and other moneys available to the owners of the Bonds under the Trust Agreement, as further described herein.** See “AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The State currently imposes Assessments in the amount of 2.0% of the retail price per gallon of regular motor vehicle gasoline sold in the State, exclusive of all federal and state taxes (the “TIB Gas Assessment”) and \$0.03 per gallon on motor vehicle diesel fuel sold in the State (the “TIB Diesel Assessment”). Preliminary, unaudited receipts of Assessments in fiscal year 2012 are estimated to be \$22,821,933. See “MOTOR FUEL TRANSPORTATION INFRASTRUCTURE ASSESSMENTS” and the Feasibility Study associated with the 2012A Bonds of Kavet, Rockler & Associates, LLC dated July 23, 2012 (the “Feasibility Study”) contained in Appendix A hereto.

The 2012A Bonds are being issued pursuant to the Trust Agreement dated as of July 1, 2010, as amended and supplemented (the “Trust Agreement”), and a Second Supplemental Trust Agreement dated as of August 1, 2012 (the “Second Supplemental Agreement”), each between the State and People’s United Bank, as Trustee (the “Trustee”). The 2012A Bonds are being issued to finance various bridge and roadway improvement projects in the State. The 2012A Bonds are the State’s second issue of bonds under the TIB Statute. On August 3, 2010, the State issued its \$14,400,000 Special Obligation Transportation Infrastructure Bonds, 2010 Series A (the “2010A Bonds”) pursuant to the Trust Agreement and a First Supplemental Trust Agreement dated as of July 1, 2010, between the State and the Trustee, of which \$13,260,000 are currently outstanding as of the date of this Official Statement. Additional bonds may be issued on a parity with the 2010A Bonds and the 2012A Bonds (“Additional Bonds,” and collectively with the 2010A Bonds and the 2012A Bonds, the “Bonds”) under the conditions and in the manner provided in the Trust Agreement. See the Summary of Certain Provisions of the Trust Agreement contained in Appendix B hereto. The State currently anticipates issuing Additional Bonds pursuant to the TIB Statute, on parity

with the 2010A Bonds and the 2012A Bonds, from time to time in amounts as authorized by the General Assembly, as part of the State's transportation program. See "STATE OF VERMONT TRANSPORTATION PROGRAM."

The Transportation Infrastructure Bond Fund (the "TIB Fund") was created by Section 27 of Act No. 50, which added Section 11f to Title 19 of the Vermont Statutes Annotated (the "TIB Fund Statute"). The TIB Fund is a special account within the Transportation Fund to consist of funds raised from the Assessments. As more fully described herein, under the Trust Agreement, Assessments credited to the TIB Fund are deposited monthly with the Trustee and accumulated until sufficient moneys are on hand to meet accruing debt service and other required payments for the fiscal year unless the Treasurer provides to the Trustee a certification that all of the funding requirements for the fiscal year are satisfied, in which case the Trustee may transfer the excess on deposit to the State for its general use upon receipt and confirmation of such certification by the Trustee. The State intends, to the extent possible based on the availability of funds in the TIB Fund, to deposit all moneys required to meet accruing debt service and other required payments with respect to the Bonds for the fiscal year in its first monthly deposit of each fiscal year, so that only one annual deposit will be necessary for each fiscal year. The Trust Agreement also establishes a debt service reserve fund requirement for Bonds issued thereunder, which is equal to the lesser of: (i) 10% of the original principal amount of all series of Bonds Outstanding; (ii) 125% of the average annual aggregate amount of debt service; or (iii) 100% of maximum debt service due in any fiscal year on the bonds. The debt service reserve fund may be funded with revenues or bond proceeds, or the requirement may be met by use of a letter of credit, surety bond or other insurance policy.

The State will enter into a Continuing Disclosure Agreement with respect to the 2012A Bonds. See "CONTINUING DISCLOSURE AGREEMENT" and the Form of Continuing Disclosure Agreement contained in Appendix C. The proposed form of opinion of Edwards Wildman Palmer LLP, bond counsel to the State, is contained in Appendix D.

All quotations from and summaries and explanations of provisions of laws of the State herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all reference to the definitive forms of the 2012A Bonds and their statutory authority. This Official Statement describes the terms and use of proceeds of, and security for, the 2012A Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through D. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. All capitalized terms not otherwise defined herein shall have the meanings set forth in "Appendix B - Summary of Certain Provisions of the Trust Agreement."

## **THE 2012A BONDS**

### **Description of the 2012A Bonds**

The 2012A Bonds will be dated their date of delivery and will mature on June 15 in each of the years as set forth on the cover page of this Official Statement. The 2012A Bonds will bear interest from their date until their maturity at the rates per annum set forth on the cover page of this Official Statement.

The 2012A Bonds will be issued by means of a book-entry system evidencing the beneficial ownership therein in principal amounts of \$5,000 or any integral multiple thereof on the records of the Depository Trust Company, New York, New York ("DTC") and its Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

Principal and premium, if any, when due, will be payable to each registered owner at the principal office of the Trustee upon presentation and surrender of the 2012A Bonds. Interest on the 2012A Bonds will be payable semiannually on June 15 and December 15, commencing December 15, 2012, by check or draft mailed by the Trustee to each registered owner, determined as of the close of business on the applicable record date, at its address as shown on the registration books of the State maintained by the Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner of the 2012A Bonds, principal of and interest on the 2012A Bonds will be paid in immediately available funds, directly to DTC or such nominee as registered owner of the 2012A Bonds. Transfer of principal and interest payments to Participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by Participants of DTC will be the responsibility of such Participants and other nominees of beneficial owners. The State will not be responsible or liable for maintaining, supervising or

reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See “BOOK-ENTRY ONLY SYSTEM” herein.

### **Authorization and Purpose**

The 2012A Bonds are authorized to be issued by the Treasurer, with the approval of the Governor, for transportation infrastructure purposes of the State pursuant to the TIB Statute. The proceeds of the 2012A Bonds are expected to be expended on the rehabilitation or replacement of ten state bridges and four town highway bridges, reconstruction of two roadways and rehabilitation and reconstruction of two interstate bridges. See “STATE OF VERMONT TRANSPORTATION PROGRAM—Overview—*Highway System*.”

### **Record Date**

The record date for each payment of interest is the last business day of the month preceding the interest payment date, provided that, with respect to overdue interest or interest on any overdue amount, the Trustee may establish a special record date. The special record date may not be more than twenty (20) days before the date set for payment. The Trustee will mail notice of a special record date to the registered owners at least ten (10) days before the special record date.

### **Optional Redemption**

The 2012A Bonds maturing on and prior to June 15, 2021 will not be subject to redemption prior to maturity.

The 2012A Bonds maturing after June 15, 2021 will be subject to redemption prior to maturity, at the option of the State, on and after June 15, 2021, either in whole or in part at any time and by lot within a maturity, at a redemption price of 100% of the principal amount of the 2012A Bonds to be redeemed, plus accrued interest to the date set for redemption.

If less than all of the 2012A Bonds of a particular maturity and bearing interest at a particular interest rate are called for redemption, the 2012A Bonds within such maturity to be redeemed will be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, will be selected by the Trustee by lot or in any customary manner as the Trustee in its discretion may determine.

### **Notice of Redemption**

Notice of redemption of 2012A Bonds, specifying the maturities, CUSIP numbers and dates of 2012A Bonds to be redeemed, the redemption date, the redemption prices, expressed as a percentage of the principal amount and the place or places of payment of the redemption price and the numbers and portions of the 2012A Bonds to be redeemed, shall be mailed, postage prepaid, by the Trustee not more than 60 days and not less than 30 days prior to the date set for redemption to the registered owners of any 2012A Bonds or portions of 2012A Bonds to be redeemed, at their last addresses appearing on the registry books kept by the Trustee. Failure to mail such notice to the owner of any 2012A Bond will not affect the redemption of any other 2012A Bonds. If moneys for the redemption are held by the Trustee on the redemption date and if notice of the redemption shall have been duly mailed, then from and after the redemption date interest on the 2012A Bonds (or the portions thereof) called for redemption shall cease to accrue.

**SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds in connection with the issuance of the 2012A Bonds are summarized below:

<b>Sources of Funds</b>	
Principal of the 2012A Bonds .....	\$10,820,000.00
Plus: Net Original Issue Premium.....	<u>162,517.70</u>
Total	\$10,982,517.70
 <b>Uses of Funds</b>	
Project Costs .....	\$10,000,000.00
Deposit to Debt Service Reserve Fund.....	696,587.50
Costs of Issuance <sup>1</sup> .....	161,851.85
Underwriter’s Discount.....	<u>124,078.35</u>
Total	\$10,982,517.70

<sup>1</sup> Includes Trustee fees, legal fees, rating agency fees, printing expenses and other miscellaneous fees and expenses.

**AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

**Authorization**

The 2012A Bonds are authorized by and issued pursuant to the TIB Statute and appropriations approved by the General Assembly for fiscal year 2013 in the amount not to exceed \$11.5 million for such purpose. The 2012A Bonds are issued under and pursuant to the Trust Agreement and the Second Supplemental Agreement. See “Appendix B - Summary of Certain Provisions of the Trust Agreement” for a more complete description of the Trust Agreement.

**Overview of Security Provisions**

Debt service on the Bonds is payable from and secured solely by a pledge of and lien on Pledged Funds (defined below), all rights to receive Pledged Funds and all moneys, securities, credit enhancement and any investment earnings with respect thereto in all funds and accounts held under the Trust Agreement, other than the Rebate Fund. “Pledged Funds” represent amounts received or to be received by the State from the Assessments and such Additional Pledged Funds, as defined herein, if any, that the State may subsequently authorize and determine to include within the definition of Pledged Funds in order to satisfy the debt service coverage tests imposed under the Trust Agreement to issue Additional Bonds. See “Source of Pledged Funds” and “Additional Bonds.” For a discussion of the Assessments, see “MOTOR FUEL TRANSPORTATION INFRASTRUCTURE ASSESSMENTS.”

Pursuant to the TIB Statute, the Trust Agreement is valid and binding from the time of the agreement without any physical delivery or further act and without any filing or recording, and the lien of the pledge is valid and binding as against all parties having claims of any kind in tort, contract, or otherwise, irrespective of whether such parties have notice thereof.

On August 3, 2010, the State issued the 2010A Bonds, which were the first series of transportation infrastructure bonds issued under the Trust Agreement. As of the date of this Official Statement, \$13,260,000 of the 2010A Bonds are outstanding. The pledge of the security for the 2012A Bonds is on a parity with the security pledged for the 2010A Bonds and as may be pledged for any Additional Bonds.

## **Special Obligations**

The Bonds are special limited obligations of the State and are payable solely from the sources specified in the Trust Agreement. The Bonds are not general obligations of the State and are not secured by the full faith and credit of the State. The Bonds are not payable out of any funds of the State other than the Pledged Funds and moneys otherwise available for the benefit of the owners of the Bonds pursuant to the Trust Agreement.

Payments of debt service on the Bonds are to be made from Pledged Funds held by the Trustee in the Revenue Account, created by the State under the Trust Agreement as a special account within the State's TIB Fund. The TIB Fund was created under the TIB Fund Statute to consist of funds raised from the Assessments. The State has covenanted that, so long as any Bonds are Outstanding, the State will fulfill the terms of the Trust Agreement and any Supplemental Trust Agreement thereunder and will not in any way impair the rights or remedies of the holders of the Bonds until the Bonds, interest thereon and all costs associated with the Bonds are fully paid. Under the TIB Statute and the TIB Fund Statute, the Assessments shall not be reduced below the rates in effect at the time of issuance of the Bonds until the principal, interest and all costs that must be paid in order to retire the Bonds have been paid.

The General Assembly may amend the TIB Statute and other statutes that govern Pledged Funds, including the Assessments. Any future amendments of the TIB Statute and other statutes that govern Pledged Funds would also be subject to the covenant of the State that it shall not in any way impair the rights and remedies of the holders of the Bonds. The Trust Agreement does not require the State to increase the amount of the Assessments pledged as Pledged Funds.

The State has never defaulted on the punctual payment of principal of or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments.

## **Source of Pledged Funds**

Pledged Funds represent amounts received or to be received by the State from the TIB Gas Assessment and the TIB Diesel Assessment. The amount of Pledged Funds is determined by the Department of Finance and Management on a monthly basis. For a discussion of the Assessments, see "MOTOR FUEL TRANSPORTATION INFRASTRUCTURE ASSESSMENTS."

In order to issue Additional Bonds, including the 2012A Bonds, the State must comply with certain conditions contained in the Trust Agreement, including certain debt service coverage tests. Any Additional Bonds will be on a par with the 2010A Bonds and the 2012A Bonds or may be issued as subordinated bonds. See "Additional Bonds." The State may pledge certain additional revenues as security for the Bonds ("Additional Pledged Funds") in order to comply with the conditions to issuing Additional Bonds.

In the event the State pledges Additional Pledged Funds composed of revenues that have not been collected for 12 consecutive months out of the prior 18 months preceding the issuance of the Additional Bonds, the Trust Agreement requires that the State provide a certificate of an Authorized Officer and an independent consultant to the State with professional credentials and expertise in such matters, engaged for such purpose and selected by the State, showing that the amount of any Pledged Funds projected to be received by the State after giving effect to any such Additional Pledged Funds during the first full fiscal year immediately succeeding the issuance of the proposed Additional Bonds will not be less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or in any future fiscal year on Bonds Outstanding, including the proposed Additional Bonds.

The State is under no obligation to pledge Additional Pledged Funds, and any such pledge, if made, will be made for the benefit of the owners of all Outstanding Bonds.

## **Funds and Accounts**

In order to administer the deposit of Pledged Funds related to the Bonds, the funds and accounts described below are established and held under the Trust Agreement.

(a) The Trustee shall establish and hold the following funds:

- Debt Service Fund;
- Redemption Fund;
- Debt Service Reserve Fund;
- Bond Related Costs Fund; and
- Rebate Fund.

(b) The State Treasurer has established the Revenue Account maintained as part of the TIB Fund, which account has been deposited with the Trustee.

Collectively, the above-referenced funds and accounts are sometimes hereinafter referred to as the “Funds and Accounts.” The Trust Agreement requires that moneys deposited in the Funds and Accounts be accounted for separately from all other moneys received by the Trustee and shall be held by the Trustee in trust for the owners of the Bonds. The moneys on deposit in the Funds and Accounts may be invested in Permitted Investments as provided for in the Trust Agreement. See “Appendix B - Summary of Certain Provisions of the Trust Agreement” under the headings “Definitions - Permitted Investments” and “Investments.”

Under the Trust Agreement, the State has pledged all of the moneys, securities, credit enhancement, if any, and any investment earnings with respect thereto in all Funds and Accounts, other than the Rebate Fund, to the Trustee for the benefit of the owners of the Bonds.

#### **Flow of Pledged Funds**

The Pledged Funds must be accounted for and deposited in accordance with the terms of the applicable Vermont statutes and the Trust Agreement. Set forth below is a description of the flow of the Pledged Funds under the Trust Agreement. For a complete description of the flow of Pledged Funds, see “Appendix B - Summary of Certain Provisions of the Trust Agreement.”

*TIB Fund.* Under the TIB Fund Statute, the State created the TIB Fund as a special account within the Transportation Fund. Assessments paid under the Assessment Statutes are credited to the TIB Fund pursuant to the TIB Fund Statute. Expenditures from the TIB Fund may be made for the following purposes:

- (i) to pay principal, interest, and related costs on Bonds issued pursuant to the TIB Statute;
- (ii) to pay for the rehabilitation, reconstruction, or replacement of state bridges, culverts, roads, railroads, airports, and necessary buildings which, after such work, have an estimated minimum remaining useful life of 10 years;
- (iii) to pay for the rehabilitation, reconstruction, or replacement of municipal bridges, culverts, and highways which, after such work, have an estimated minimum remaining useful life of 10 years; and
- (iv) to pay for up to \$100,000 per year for operating costs associated with administering the capital expenditures.

The TIB Fund Statute further provides that no payments will be made for pay-as-you-go capital purposes or other authorized purposes in any fiscal year, unless, subject to the terms of the Trust Agreement, the amount needed to pay debt service due on the Bonds, any associated reserve or sinking fund requirements and any associated costs of the Bonds for that fiscal year is either in the TIB Fund available to pay for those items, or those items have been paid.

*Revenue Account.* Under the Trust Agreement, the Treasurer has established the Revenue Account as a sub-account of the TIB Fund, which is held by the Trustee and is subject to the pledge of the Trust Agreement. In

accordance with the TIB Statute, debt service on the Bonds is payable from amounts credited to the Revenue Account.

Under the Trust Agreement, within fifteen (15) business days after the end of each month, the Commissioner of the Department of Finance and Management (the “Commissioner of Finance and Management”) must deliver to the Trustee a certificate stating the amount of Pledged Funds received by the State during such month. The State Treasurer, within two (2) business days of the receipt of the certificate from the Commissioner of Finance and Management, is required under the Trust Agreement to deposit an amount equal to Pledged Funds collected in the preceding month into the Revenue Account with the Trustee.

*Disbursements from Revenue Account.* Under the Trust Agreement, no later than the last business day of July of each fiscal year, the Trustee transfers amounts on deposit in the Revenue Account as follows:

- (i) *first*, to the Debt Service Fund, an amount which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement calculated to accrue through the end of such fiscal year;
- (ii) *second*, to the Debt Service Reserve Fund, an amount equal to one-thirty-sixth (1/36th) of the Funded Debt Service Reserve Fund Requirement (including any amounts required to be deposited in preceding months for which amounts were not available) until the amount on deposit therein equals the Funded Debt Service Reserve Fund Requirement;
- (iii) *third*, to the Bond Related Costs Fund, at such times and in such amounts, if any, as determined by the Treasurer or otherwise set forth in an Applicable Supplemental Trust Agreement as necessary to pay Bond Related Costs relating to the Bonds; and
- (iv) *fourth*, to the Rebate Fund, the amount of the Rebate Fund Requirement relating to the Bonds, determined in accordance with an Applicable Supplemental Trust Agreement.

Under the Trust Agreement, upon deposit of the amounts described above, the balance on deposit in the Revenue Account shall be transferred by the Trustee on the last business day of July of each fiscal year to the Treasurer free and clear of the lien thereof and may be applied to any purpose permitted by law. If the Treasurer provides to the Trustee at any time prior to the last business day of July of any fiscal year a written notice certifying that all of the funding requirements of paragraphs (i) through (iv) above have been satisfied as of the date of such certificate with respect to the then current fiscal year, then the Trustee may transfer the balance on deposit in the Revenue Account to the Treasurer free and clear of the lien of the Trust Agreement to be applied to any purpose permitted by law upon the receipt and confirmation by the Trustee of such certificate.

In addition, the Trust Agreement provides that no later than the last business day of each month the Trustee shall transfer amounts on deposit in the Revenue Account as follows:

- (i) *first*, in each calendar month except the month of June each fiscal year, to the Debt Service Fund, an amount which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement calculated as of the next succeeding interest payment date or Principal Installment payment date, as the case may be;
- (ii) *second*, to the Debt Service Reserve Fund, an amount equal to one-thirty-sixth (1/36th) of the Funded Debt Service Reserve Fund Requirement (including any amounts required to be deposited in preceding months for which amounts were not available) until the amount on deposit therein equals the Funded Debt Service Reserve Fund Requirement;
- (iii) *third*, to the Bond Related Costs Fund, at such times and in such amounts, if any, as determined by the Treasurer or otherwise set forth in an Applicable Supplemental Trust Agreement as necessary to pay Bond Related Costs relating to the Bonds; and
- (iv) *fourth*, to the Rebate Fund, the amount of the Rebate Fund Requirement relating to the Bonds, determined in accordance with an Applicable Supplemental Trust Agreement.

Under the Trust Agreement, upon deposit of the amounts described above, the balance on deposit in the Revenue Account shall be transferred by the Trustee on the last business day of each month to the Treasurer free and clear of the lien thereof and may be applied to any purpose permitted by law. If the Treasurer provides to the Trustee at any time prior to the last day of such calendar month a written notice certifying that all of the funding requirements of paragraphs (i) through (iv) above have been satisfied, as of the date of such certificate, then the Trustee may transfer the balance on deposit in the Revenue Account to the Treasurer free and clear of the lien of the Trust Agreement to be applied to any purpose permitted by law upon the receipt and confirmation by the Trustee of such certificate.

*Disbursements from Debt Service Fund.* The Trustee must pay out of the Debt Service Fund to the respective Trustees for any Bonds: (i) on or before each interest payment date of Bonds, the amount required for the interest and Principal Installments payable on such date and (ii) on or before each redemption date for the Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest and Redemption Price on the Bonds. If on any interest payment date of the Bonds the amount accumulated in the Debt Service Fund for either of the purposes specified above exceeds the amount required therefor, the amount of such excess shall thereupon be transferred to the Treasurer free and clear of the lien of the Trust Agreement and may be applied to any purpose permitted by law. The Trustee shall also pay out of the Debt Service Fund accrued interest included in the purchase price of Bonds purchased under any provision of this Trust Agreement or an Applicable Supplemental Trust Agreement.

### **Debt Service Reserve Fund**

*Debt Service Reserve Fund Requirement.* Under the Trust Agreement, the Debt Service Reserve Fund Requirement is defined to be the least of:

- (i) ten percent (10%) of the original principal amount of all Series of Bonds Outstanding, subject to adjustment as provided in the Trust Agreement with respect to original issue discount;
- (ii) one hundred twenty-five percent (125%) of the average annual aggregate amount of debt service calculated as provided in the Trust Agreement; or
- (iii) one hundred percent (100%) of the maximum aggregate amount of debt service calculated as provided in the Trust Agreement.

As a result of the deposit previously made to the Debt Service Reserve Fund upon the issuance of the 2010A Bonds, the balance in such Debt Service Reserve Fund as of June 30, 2012 was \$995,012.50. At the time of issuance of the 2012A Bonds, the Debt Service Reserve Fund is expected to be fully funded at the Debt Service Reserve Fund Requirement of \$1,691,600.00, and will secure all outstanding Bonds on a parity basis.

*Withdrawal from the Debt Service Reserve Fund.* If the amounts on deposit and available in the Debt Service Fund, the Bond Related Costs Fund or the Redemption Fund are insufficient to pay the debt service then due on the Bonds, the Trustee must withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency.

*Reserve Credit Facilities.* The Trust Agreement authorizes the State to obtain Reserve Credit Facilities for the purpose of satisfying the Debt Service Reserve Fund Requirement. See “Appendix B - Summary of Certain Provisions of the Trust Agreement – Debt Service Reserve Fund.”

### **Additional Bonds**

Pursuant to the Trust Agreement, one or more series of Additional Bonds on a parity with the 2010A Bonds and the 2012A Bonds may be issued for the purposes of: (i) paying all or a portion of the cost of any project for which Bonds may be issued under the TIB Statute, including the refunding of any Bonds, (ii) the making of deposits in the Debt Service Fund and the Debt Service Reserve Fund, (iii) the payment of the costs of issuance of such Bonds, (iv) the payment of the principal of and interest and premium, if any, on notes issued in anticipation of such Bonds in accordance with the Trust Agreement or (v) any combination of the foregoing.

A series of Additional Bonds may be issued only upon receipt by the Trustee of, among other things:

- (i) An opinion of bond counsel in accordance with the requirements of the Trust Agreement;
- (ii) A written order of an Authorized Officer of the State as to the authentication and delivery of the Bonds;
- (iii) The Trust Agreement and the Applicable Supplemental Trust Agreement executed by the Treasurer and the Trustee;
- (iv) Any instruments or agreements evidencing or representing any Credit Enhancement or Liquidity Facility required by the Applicable Supplemental Trust Agreement;
- (v) Such further documents and moneys, if any, required by the Trust Agreement and Applicable Supplemental Trust Agreement;
- (vi) A certificate of an Authorized Officer stating that, as of the delivery of such Additional Bonds and application of their proceeds, no Event of Default, as described in the Trust Agreement, will have happened and will then be continuing;
- (vii) A certificate of the Commissioner of Finance and Management setting forth the amount of Pledged Funds received by the State for each month for the eighteen (18) month period ending with the last full month immediately preceding the issuance of the Additional Bonds;
- (viii) One of the following certificates as determined by the Treasurer:
  - (A) A certificate of an Authorized Officer showing that the amount of Pledged Funds as certified pursuant to subparagraph (vii) above received by the Treasurer during any twelve (12) consecutive months out of such eighteen (18) month period referred to in subparagraph (vii) above was not less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future Fiscal Year on Bonds Outstanding including the proposed Additional Bonds, or
  - (B) if the State shall pledge any Additional Pledged Funds pursuant to the Trust Agreement, which amounts shall have been collected by the State for at least twelve (12) consecutive months of the eighteen (18) month period described in subparagraph (iv) above, (x) a certificate of the Commissioner of Finance and Management showing Pledged Funds for eighteen (18) consecutive months immediately preceding the month in which the Additional Bonds are issued, calculated on the basis that Pledged Funds shall include such Additional Pledged Funds for such period, and (y) a certificate of an Authorized Officer showing that the Pledged Funds calculated as provided in subparagraph (iv) above for any twelve (12) consecutive months during the eighteen (18) month period described in (x) above shall be not less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement during the then current Fiscal Year or any future Fiscal Year on all Bonds Outstanding including the proposed Additional Bonds, or
  - (C) if the State shall pledge any Additional Pledged Funds pursuant to the Trust Agreement, which Additional Pledged Funds have not been collected by the State during at least twelve (12) consecutive months of the eighteen (18) month period described in subparagraph (iv) above, a certificate of an Authorized Officer and an independent consultant to the State with professional credentials and expertise in such matters, engaged for such purpose and selected by the State, showing that the amount of any Pledged Funds projected to be received by the State after giving effect to any such Additional Pledged Funds pursuant to the Trust Agreement during the first full Fiscal Year immediately succeeding the issuance of the proposed Additional Bonds will not be less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or in any future Fiscal Year on Bonds Outstanding including the proposed Additional Bonds;

(ix) If the State shall deliver a certificate pursuant to subparagraph (viii)(B) above, which shall include as a basis for calculation of Pledged Funds any Additional Pledged Funds other than an additional portion of Motor Fuel Transportation Infrastructure Assessments, or a certificate pursuant to subparagraph (viii)(C) above, confirmation from each Rating Agency maintaining a rating on Bonds Outstanding that the issuance of such Additional Bonds shall not adversely affect their rating in effect on Bonds Outstanding (without regard to Credit Enhancement);

(x) If any such Additional Bonds are to be issued as Tender Bonds, a fully executed copy of the Liquidity Facility for such Bonds;

(xi) If any Variable Rate Bonds shall remain Outstanding upon the issuance of such Additional Bonds, a certificate of an Authorized Officer establishing a Pro Forma Bond Issue for such Variable Rate Bonds determined as of the date of issuance of such Additional Bonds;

(xii) A certificate of the Governor approving the matters set forth in the TIB Statute; and

(xiii) If applicable, the certificate of an Authorized Officer required by the Trust Agreement with respect to the Assumed Hedge Rate, if any, pertaining to a Qualified Hedge Agreement relating to such Bonds.

### **Subordinated Indebtedness**

The State may issue bonds (other than Additional Bonds or Refunding Bonds), notes or other evidences of indebtedness which are payable out of, or secured by a pledge of, the Pledged Funds so long as such bonds, notes or evidences of indebtedness are expressly subordinate to the obligations created under the Trust Agreement and the security granted thereby.

In addition, nothing in the Trust Agreement shall prevent the State from issuing bonds, notes or other evidences of indebtedness which are payable out of, or secured by a pledge of, a portion of Motor Fuel Transportation Infrastructure Assessments, any other Additional Pledged Funds or any other amounts to be credited to the TIB Fund to the extent such portion of Motor Fuel Transportation Infrastructure Assessments, Additional Pledged Funds or such other amounts do not constitute Pledged Funds.

### **Covenants of the State**

The State has covenanted in the TIB Statute and the Trust Agreement that, so long as any Bonds are Outstanding, the State will fulfill the terms of the Trust Agreement and any Supplemental Trust Agreement thereunder and will not in any way impair the rights or remedies of the holders of the Bonds until the Bonds, interest thereon and all costs associated with the Bonds are fully paid. Under the TIB Statute and the TIB Fund Statute, the Assessments shall not be reduced below the rates in effect at the time of issuance of the Bonds until the principal, interest and all costs that must be paid in order to retire the Bonds have been paid. However, the General Assembly may amend the TIB Statute, the Assessment Statutes and the TIB Fund Statute.

The State has also covenanted in the Trust Agreement that it will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of claims for interest by the purchaser or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Trust Agreement to the benefit of this Trust Agreement or to any payment out of any assets of the State or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Trust Agreement) held by the Fiduciaries, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in this paragraph shall be deemed to limit the right of the State to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

## **Bondholders' Remedies**

The Trust Agreement sets forth the Events of Default relating to the Bonds, which include failure to pay debt service when due or failure to perform the covenants, agreements and conditions contained in the Trust Agreement and the impairment of the rights and remedies of the owners of the Bonds.

Under the Trust Agreement, the State has covenanted that, upon the occurrence of any Event of Default (which Event of Default has not been remedied), and upon demand by the Trustee, it shall pay over to the Trustee, to the extent permitted by Law, any Pledged Funds not otherwise held by the Trustee in a Fund or Account. The Trust Agreement provides that if an Event of Default happens (which Event of Default has not been remedied), then the Trustee may proceed to protect and enforce its rights and the rights of the registered owners of the Bonds under the Trust Agreement by a suit or suits in equity or at law. The Trust Agreement also provides that the registered owners of a majority in principal amount of the Bonds Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

The Trust Agreement provides that neither the Trustee nor any Bondholder shall have any right to accelerate the principal of or interest on the Bonds.

If an Event of Default has occurred, no registered owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Trust Agreement or for any remedy under the Trust Agreement, unless such registered owner shall have previously given to the Trustee written notice of the happening of any Event of Default and the registered owners of at least twenty-five percent (25%) in principal amount of Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, to exercise the powers granted in the Trust Agreement in its own name, and unless such registered owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby, and the Trustee shall have refused to comply with such request within a reasonable time.

For a more complete description of the remedies available to the Bondholders, see "Appendix B - Summary of Certain Provisions of the Trust Agreement."

The remedies available to the Bondholders upon the occurrence of an Event of Default are limited and are in many respects dependent upon judicial actions, which are subject to discretion and delay.

## **MOTOR FUEL TRANSPORTATION INFRASTRUCTURE ASSESSMENTS**

### **General**

In fiscal year 2009, the Vermont General Assembly imposed a 2% assessment on the retail price of gasoline (the TIB Gas Assessment) effective June 1, 2009, and a 3 cent-per-gallon assessment on diesel fuel (the TIB Diesel Assessment) effective October 1, 2009. Revenue from the Assessments is segregated from all other Transportation Fund revenue in a special account, the TIB Fund, which is dedicated to the payment of the debt service on and associated costs of transportation infrastructure revenue bonds issued under the TIB Act, including the 2012A Bonds.

The collection of the Assessments began in July 2009 with respect to the TIB Gas Assessment and in December 2009 with respect to the TIB Diesel Assessment, as shown in the table "Historical Monthly Collections of Assessments July 2009 through June 2012" below. As authorized by the TIB Fund Statute, the amount of \$20,825,237 was appropriated to eligible state transportation projects for pay-as-you-go capital projects in fiscal year 2012. The State collected \$22,821,933 (exclusive of interest earned thereon) (preliminary; unaudited) of Assessments in fiscal year 2012, of which \$20,215,756 (preliminary; unaudited) has been expended through June 30, 2012 on eligible projects. Any 2012 fiscal year-end unexpended balance of the \$20,825,237 appropriated amount will remain appropriated to projects and is expected to be expended during fiscal year 2013.

The TIB Fund Statute provides that no payments may be made for pay-as-you-go capital projects or other authorized purposes of the TIB Fund in any fiscal year until, to the extent required by the terms of the Trust Agreement, there are amounts in the TIB Fund available to pay for debt service on any Bonds outstanding, any associated reserve or sinking funds and any associated costs of the Bonds, or such items have been paid.

The Trust Agreement effectively provides that all Assessments received in each fiscal year shall be applied first to deposit into the Debt Service Fund an amount equal to the Debt Service Fund Requirement calculated to accrue through the end of such fiscal year. Subject to certain other uses set forth in the Trust Agreement, the Assessments received thereafter are available for any authorized purposes of the TIB Fund.

The following uses are exempt from TIB Diesel Assessment as of July 1, 2012: uses the taxation of which would be precluded by law, uses for agricultural purposes not conducted on highways, uses by any state, municipal, school district, fire district or other governmentally owned vehicles for official purposes, uses by vehicles off the highways of the State, uses by any vehicle registered as a farm truck under State law and farm uses for which the fuel is delivered to a farm bulk fuel storage tank. In addition, no TIB Diesel Assessment is payable for any vehicle owned, leased or contracted for other than a single-trip use by a government entity, if the purchaser presents a valid exemption certificate to the distributor at the time of sale. Refunds to users to whom exemptions are applicable are factored into revenue forecasts.

### **Assessment Collection Procedure**

The TIB Gas Assessments and TIB Diesel Assessments are collected monthly at the wholesale level by the Vermont Department of Motor Vehicles (“DMV”). The Assessments are collected at the same time as the long-standing gasoline and diesel taxes imposed by the State, as wholesalers typically remit gasoline and diesel fuel taxes and Assessments to the State at the same time.

### **Crediting of Receipts**

Receipts of TIB Gas Assessments are recorded in the State’s accounting system on the same day that the deposits occur. These are recorded directly into the TIB Fund and accounted for as Motor Fuel Assessments – Gasoline. A similar process is used for receipts of TIB Diesel Assessments, except that TIB Diesel Assessments are affected by Vermont’s participation in the International Fuel Tax Agreement (“IFTA”) as well as a slightly longer process for recording receipts than the process used for TIB Gas Assessments. See “Historical Information Regarding Assessments,” below. Three accounts are used for TIB Diesel Assessments to separately record Vermont directly collected TIB Diesel Assessments, TIB Diesel receipts from IFTA from non-Vermont based entities, and TIB Diesel receipts from IFTA from Vermont based entities.

### **Historical Information Regarding Assessments**

The Assessment Statutes were enacted in 2009 and no Assessments were collected prior to the beginning of fiscal year 2010. However, the Feasibility Study attached to this Official Statement as Appendix A estimates the amounts that would have been collected from the TIB Gas Assessment and the TIB Diesel Assessment, had they been imposed prior to fiscal year 2010. See “Appendix A – Feasibility Study of Kavet, Rockler & Associates, LLC.” The following table sets forth the monthly collections of TIB Assessments since July 1, 2009 with respect to TIB Gas Assessments and October 1, 2009 with respect to TIB Diesel Assessments:

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**Historical Monthly Collections of Assessments  
July 2009 through June 2012<sup>1</sup>**

<u>Month</u>	<u>TIB Gas Assessment<sup>2</sup></u>	<u>TIB Diesel Assessment<sup>3</sup></u>	<u>Total Assessments</u>
July, 2009	\$961,068	\$0	\$961,068
August, 2009	1,098,083	0	1,098,083
September, 2009	1,061,153	0	1,061,153
October, 2009	862,639	0	862,639
November, 2009	829,148	0	829,148
December, 2009	1,335,139	182,540	1,517,679
January, 2010	1,242,293	81,769	1,324,062
February, 2010	868,548	189,786	1,058,335
March, 2010	1,418,474	546,005 <sup>4</sup>	1,964,479
April, 2010	1,186,490	94,397	1,280,887
May, 2010	1,193,410	123,338	1,316,748
June, 2010	<u>1,305,787</u>	<u>259,278<sup>5</sup></u>	<u>1,565,064</u>
<b>FY 2010 Total</b>	<b>\$13,362,232</b>	<b>\$1,477,113</b>	<b>\$14,839,345</b>
July, 2010	\$1,326,055	\$83,715	\$1,409,770
August, 2010	1,459,029	242,602	1,701,631
September, 2010	1,409,037	169,849	1,578,887
October, 2010	1,567,430	64,729	1,632,159
November, 2010	1,334,433	161,657	1,496,090
December, 2010	1,205,933	146,255	1,352,188
January, 2011	1,324,709	206,441	1,531,150
February, 2011	1,169,284	143,974	1,313,257
March, 2011	1,407,071	124,252	1,531,324
April, 2011	1,275,413	129,790	1,405,203
May, 2011	1,452,164	165,594	1,617,758
June, 2011	<u>1,583,631</u>	<u>323,795</u>	<u>1,907,427</u>
<b>FY 2011 Total</b>	<b>\$16,514,189</b>	<b>\$1,962,653</b>	<b>\$18,476,844</b>
July, 2011	1,601,944	59,272	1,661,216
August, 2011	1,976,155	215,695	2,191,850
September, 2011	2,067,266	105,358	2,172,623
October, 2011	1,809,103	181,088	1,990,191
November, 2011	1,738,783	205,094	1,943,877
December, 2011	1,776,394	170,574	1,946,968
January, 2012	1,762,190	153,614	1,915,804
February, 2012	1,454,427	164,908	1,619,335
March, 2012	1,648,865	130,688	1,779,552
April, 2012	1,576,971	132,424	1,709,395
May, 2012	1,686,557	165,156	1,851,713
June, 2012	<u>1,802,814</u>	<u>236,593</u>	<u>2,039,407</u>
<b>FY 2012 Total</b>	<b>\$20,901,468</b>	<b>\$1,920,465</b>	<b>\$22,821,933</b>

<sup>1</sup> July 2011 through June 2012 data is preliminary and unaudited.

<sup>2</sup> TIB Gas Assessment data is shown exclusive of any interest earnings thereon.

<sup>3</sup> TIB Diesel Assessment was imposed effective October 1, 2009 and first collected in December 2009.

<sup>4</sup> The Agency of Transportation conducted an internal review of the TIB collection procedures during February 2010. The review determined that the IFTA collections for TIB Diesel Assessments were being incorrectly booked to the primary Diesel IFTA account instead of the TIB Diesel Assessment IFTA account. A correcting entry occurred in March 2010 that effectively transferred \$399,625 from Diesel IFTA to TIB Diesel Assessment IFTA.

<sup>5</sup> End of fiscal year processing generally results in an increase in June TIB Diesel Assessments relative to other months. TIB Diesel Assessments are due on the last day of each month. As a result, the receipts are generally processed and the revenues recognized in the subsequent month. June is an exception in that processing of the receipts still occurs early in July, but all receipts that were in the DMV's possession on or before June 30 are recognized as June revenues. This action also will affect July revenues each year.

Note: Numbers may not add due to rounding.

SOURCE: Department of Finance and Management.

The January 2012 consensus revenue forecast projected total Assessment collections equal to \$22,500,000 in fiscal year 2012. Actual collections through June 30, 2012 were \$22,821,933 (preliminary; unaudited), or approximately 101.4% of the projected total for the fiscal year.

Assessment collections will vary depending on both the volume of gasoline and diesel fuel sold in the State as well as the retail price of gasoline (with respect to the TIB Gas Assessment only). Gasoline prices are subject to considerable volatility, and such volatility will impact actual TIB Gas Assessment collections from year to year. For more information, see “Appendix A – Feasibility Study of Kavet, Rockler & Associates, LLC.” Assessment collections will also vary month to month based upon seasonal factors, which are primarily affected by tourism visitation and local vacation travel, variations in the collection process and gasoline and diesel fuel inventory accumulation.

TIB Gas Assessments are required to be sent (postmarked) to the State by each distributor by the 25<sup>th</sup> day of each month, so the number of business days from the due date through the end of the month can affect reported collection amounts in that month, and may also affect collections the following month. Examples of this effect are November, in which the Thanksgiving holiday at the end of the month causes some collections that would otherwise be expected to be collected in November to be collected and reported in December, and February, which has only 28 or 29 days in the month, so some collections may not be reported until March of each year.

TIB Diesel Assessments are affected by the process of Vermont’s in-state collections and by remittances from IFTA. IFTA is an agreement among all states (except Alaska and Hawaii) and certain Canadian provinces to simplify the reporting of fuel used by motor carriers operating in more than one jurisdiction, and provides revenues to Vermont from motor carriers traversing the State, but not necessarily purchasing diesel fuel within the State’s borders. IFTA remittances accounted for approximately 15% of total TIB Diesel Assessments in fiscal year 2012, and also contribute to the monthly variability of collections. Monthly TIB Diesel Assessments are also affected by the State’s normal processing routine, which causes some amounts received at the end of a month, other than June, to be counted in the following month’s receipts. In June, the State credits all amounts actually collected in June as June receipts, regardless of the processing date.

### **Fiscal Year 2012**

All fiscal year 2012 data in this Official Statement is preliminary, unaudited and subject to change.

The January 2012 consensus revenue estimate projected that the TIB Gas Assessment would account for approximately \$20,600,000, or 91.6% of net revenues available to the TIB Fund and the TIB Diesel Assessment would account for approximately \$1,900,000 or 8.4% of net revenues available to the TIB Fund. As shown above, actual Assessment collections through June 2012, exclusive of interest earned thereon, were \$22,821,933, or \$321,933 above the consensus revenue estimate for the fiscal year. This amount includes \$20,901,468 of TIB Gas Assessments and \$1,920,465 of TIB Diesel Assessments. In fiscal year 2012, \$20,825,237 was appropriated and \$20,215,756 was expended through June 2012 from the TIB Fund for pay-as-you-go capital expenditures authorized by the TIB Statute and by specific appropriations of the General Assembly.

### **Projected Collection of Assessments and Pledged Funds**

Act No. 178 of the 1996 Adjourned Session established a mechanism by which the State adopts official revenue estimates for the current and subsequent fiscal years. By July 15th and January 15th of each year, and at such other times as the Emergency Board or the Governor deem proper, the joint fiscal office and the Secretary of Administration are to provide to the Emergency Board (comprised of the Governor and the Chairs of the key taxing and spending committees of the Vermont Legislature) their respective revenue estimates for the General, Transportation, Education, and health care funds, and certain other revenues, for the current and next succeeding fiscal year. The Emergency Board, within ten days of receipt of such estimates, is required to determine an official revenue estimate for the current and next succeeding fiscal year. A consensus revenue forecast for fiscal years 2012 and 2013 was completed in January 2012 and was approved by the Emergency Board on January 18, 2012 (the “January 2012 Forecast”).

In the January 2012 Forecast, fiscal year 2013 revenues from Assessments were forecast to be \$22,800,000, which amount included projected TIB Gas Assessments of \$20,900,000 and TIB Diesel Assessments of \$1,900,000.

The July 2012 consensus revenue forecast was released on July 20, 2012. The July 2012 consensus revenue forecast for fiscal year 2013 revenues from Assessments is \$23,100,000. Monthly revenue targets for fiscal year 2013 are also prepared as part of the consensus revenue forecast in July 2012. Monthly collections of TIB Assessments are monitored by state economists and budget analysts with monthly reports on actual compared with projected revenues for the current fiscal year. See “Appendix A – Feasibility Study of Kavet, Rockler & Associates, LLC.”

### DEBT SERVICE REQUIREMENTS

The following table sets forth debt service on the 2010A Bonds and the 2012A Bonds for each fiscal year in which such Bonds will be outstanding:

<u>June 15</u>	<u>2012A Bonds</u>		<u>Total 2012A Debt Service</u>	<u>Total 2010A Debt Service</u>	<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>			
2013	\$405,000	\$214,338.13	\$619,338.13	\$990,062.50	\$1,609,400.63
2014	450,000	244,062.50	694,062.50	993,362.50	1,687,425.00
2015	460,000	235,062.50	695,062.50	991,362.50	1,686,425.00
2016	470,000	225,862.50	695,862.50	994,162.50	1,690,025.00
2017	480,000	216,462.50	696,462.50	991,662.50	1,688,125.00
2018	490,000	206,862.50	696,862.50	990,787.50	1,687,650.00
2019	500,000	197,062.50	697,062.50	994,537.50	1,691,600.00
2020	505,000	187,062.50	692,062.50	991,112.50	1,683,175.00
2021	520,000	176,962.50	696,962.50	990,562.50	1,687,525.00
2022	530,000	166,562.50	696,562.50	994,412.50	1,690,975.00
2023	540,000	155,962.50	695,962.50	992,512.50	1,688,475.00
2024	550,000	145,162.50	695,162.50	995,012.50	1,690,175.00
2025	565,000	131,412.50	696,412.50	994,825.00	1,691,237.50
2026	575,000	118,700.00	693,700.00	991,825.00	1,685,525.00
2027	590,000	104,325.00	694,325.00	992,950.00	1,687,275.00
2028	605,000	89,575.00	694,575.00	990,887.50	1,685,462.50
2029	620,000	74,450.00	694,450.00	992,700.00	1,687,150.00
2030	635,000	58,950.00	693,950.00	993,200.00	1,687,150.00
2031	655,000	39,900.00	694,900.00	--	694,900.00
2032	<u>675,000</u>	<u>20,250.00</u>	<u>695,250.00</u>	<u>--</u>	<u>695,250.00</u>
	\$10,820,000	\$3,008,988.13	\$13,828,988.13	\$17,865,937.50	\$31,694,925.63

### DEBT SERVICE COVERAGE

The official State forecast amount of receipts from Assessments for fiscal year 2012 was \$22,500,000, which would have provided debt service coverage substantially exceeding estimated maximum annual debt service of the 2010A Bonds and the 2012A Bonds. The preliminary, unaudited estimate of actual fiscal year 2012 Assessments is \$22,821,933. See “Appendix A – Feasibility Study of Kavet, Rockler & Associates, LLC.”

Under the Trust Agreement, the State is not obligated to maintain any debt service coverage ratio. In order to issue Additional Bonds, including the 2012A Bonds, the State will be required to comply with certain debt service coverage tests. See “AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds.”

The State currently anticipates issuing Additional Bonds pursuant to the TIB Statute, on parity with 2010A Bonds and the 2012A Bonds, from time to time in amounts as authorized by the General Assembly, as part of the State’s transportation program. Although the actual amount and timing of any such issuance is not currently known, the State has provided a pro forma future issuance schedule for each of fiscal years 2014 through 2017. Such future issuance schedule is structured with par amounts ranging from \$17.5 million to \$19.7 million, with each projected bond issue sized to generate approximately \$17.8 million in project fund proceeds. To the extent the State issues Additional Bonds, the debt service coverage ratio applicable to all Bonds, including the 2012A Bonds, will be

reduced. For pro forma projections of debt service coverage based on projected Assessments and the State's pro forma future issuance schedule, see "Appendix A – Feasibility Study of Kavet, Rockler & Associates, LLC" and "Appendix B – Debt Service Coverage Summary." The State is not obligated to follow this pro forma schedule and, subject to compliance with the terms of the Trust Agreement, may choose to issue more or less Additional Bonds and to do so at different times than shown in the schedule.

## FEASIBILITY STUDY

Kavet, Rockler & Associates, LLC, consultant to the State, has prepared a Feasibility Study associated with the 2012A Bonds. The Feasibility Study provides revenue projections for the Assessments, explains the methodology and assumptions underlying such projections and discusses risks to the projections. The Feasibility Study also forecasts debt service coverage for the 2010A Bonds, the 2012A Bonds and Additional Bonds through fiscal year 2036, based on debt service schedules provided by Public Resources Advisory Group, the State's independent financial advisor. See "Appendix A – Feasibility Study of Kavet, Rockler & Associates, LLC." The debt service schedule in the Feasibility Study for the 2012A Bonds was estimated as of the date of the Preliminary Official Statement and assumed a par amount of \$10,090,000. While the actual par amount of the 2012A Bonds is greater, the actual annual debt service is less than estimated in the Feasibility Study.

## STATE OF VERMONT TRANSPORTATION PROGRAM

### Overview

*Highway System.* Vermont's highway system includes 320 miles of interstate routes, over 2,387 miles of toll-free State highways, and approximately 11,415 miles of supporting roads with several major road construction projects in progress. One such project is the Bennington By-Pass, which in its entirety, is expected to alleviate east-west traffic in the U.S. Route 9 to U.S. Route 7 corridor that currently passes through downtown Bennington. The first completed section of the Bennington By-Pass, the Western Segment, was opened in October 2004. Construction began on the second part of the project, the Northern Segment, in July 2007 and is expected to continue through calendar year 2012. No construction schedule has been developed for the third and final Southern Segment. Construction of new sections of the Chittenden County Circumferential Highway (the "Circ") was suspended on May 10, 2004 as a result of a U.S. District Court decision. That decision required the Vermont Agency of Transportation ("VTrans") to complete an updated environmental impact assessment that met the current requirements of the National Environmental Policy Act. This assessment is nearing completion with the release of the Circ-Williston Final Environmental Impact Statement ("FEIS"). The FEIS was completed in July 2010 with a Record of Decision on a preferred alternative issued in May 2011. The FEIS will be incorporated into the 404 Permit Process of the U.S. Army Corps of Engineers, which also involves participation by the U.S. Environmental Protection Agency and the U.S. Fish and Wildlife Service. As of the date of this Official Statement, the process has still not been resolved and it is expected that even if a 404 Permit is secured, construction will be delayed further due to expected litigation by the opposing parties.

Recognizing the protracted delays in the Circ project and the fact that the Circ Highway as originally envisioned would not be built, on May 20, 2011, the Governor announced the initiation of a new, inclusive public process designed to advance a set of congestion relief projects within the communities adversely impacted by the long delays of the construction of the Circ. The so-called Circ Alternatives Task Force was established to identify and self-select a series of acceptable projects, and identify and undertake planning activities that would aid in meeting the original purpose of the Circ Highway.\* The task force met throughout the summer and fall of 2011 and has identified a number of short-term congestion relief projects that are expected to be incorporated into the State Transportation Improvement Program and has agreed to undertake a number of planning initiatives. Later in calendar year 2012, the task force is expected to convene again to discuss and develop a list of intermediate and long-term projects that could be undertaken to address regional needs consistent with the original purpose of the Circ over an intermediate and long-term time frame.

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\* These goals, broadly stated, include increased mobility, congestion relief, improvement of safety and livability, and the facilitation of economic development in northwestern Vermont.

Vermont's highway system also includes 2,712 bridges and overpasses, of which 986 or 36.4% are greater than 70 years of age. The largest bridge project is the replacement of the Lake Champlain Bridge connecting Crown Point, New York and Chimney Point, Vermont. In October 2009, the bridge was closed due to structural deficiencies, and was demolished in December. The New York State Department of Transportation and VTrans worked in partnership to design and build the replacement bridge. While restoration work continues, the new bridge was opened to traffic in November 2011. Other State transportation projects being constructed include Milton I-89 bridges north and southbound over the Lamoille River, Windsor I-91 bridges north and southbound over VT44 and Mill Brook, and Richmond US2 bridge over the Winooski River. The non-federal share of the cost of each of these projects is expected to be funded with proceeds of the 2012A Bonds.

*Rail.* The State owns 453 rail corridor miles out of a total of 749 rail corridor miles within the State. The State-owned rail miles are operated by Vermont Rail Systems, Inc. At present, Vermont Railway, Green Mountain Railroad and Washington County Railroad are servicing freight customers. Other private rail operators that provide freight service in Vermont are New England Central Railroad, St. Lawrence & Atlantic Railroad, Montreal, Maine and Atlantic Railroad and Pan American Railroad. State-supported Amtrak service includes two passenger trains, the "Vermont," which operates from Washington, D.C. to St. Albans, Vermont and the "Ethan Allen Express" with service from New York City to Rutland, Vermont. In 2010, the State received a \$51 million grant under the American Recovery and Reinvestment Act of 2009 ("ARRA") to improve passenger rail speeds between St. Albans, Vermont and Springfield, Massachusetts. These grant funds are being used for track and bridge improvements in order to reduce travel times between Vermont and major destinations such as New York City and Washington, D.C. This project is expected to be completed in September 2012. Also in 2012, VTrans again submitted an application for additional federal funds to upgrade the section of track north of St. Albans up to the Canadian border in order to complete Vermont's section of track that will eventually allow the Vermont service to return to Montreal. VTrans also submitted an application for track upgrades that would allow increased freight traffic to travel along the Green Mountain Railroad from Bellows Falls to Rutland. Further, the rail program is continuing to upgrade track on the "Western Corridor" that will allow future Ethan Allen service from Rutland to Burlington.

*Transit.* There are ten public transit providers in the State, which provide an estimated 4.6 million passenger trips each year. Vermont is served by three private intercity providers, Greyhound, Megabus and Yankee Trails.

*Air.* There are 17 public use airports, including ten State-owned airports and two that are municipally owned, including Burlington International Airport ("BIA"). A \$25.6 million facilities expansion plan was completed at the BIA in several stages between calendar years 2003 and 2006. Facility upgrades included a significant addition to the airport's parking garage, the completion of a second skywalk between the parking garage and the terminal, additional gates, and expanded baggage handling and terminal-waiting facilities. In calendar year 2009, BIA was awarded a total of \$12.75 million of federal grants for two of its runway improvement and reconstruction projects. The grant money was awarded from the Federal Aviation Administration's Airport Improvement Program and from ARRA. In calendar year 2010, the BIA received approval from Burlington City voters for a \$21.5 million expansion of its existing three-story, 2,100 space parking garage to provide 600 additional parking spaces. Construction on the facility has been completed and the facility is now open.

### **Impact of Tropical Storm Irene**

The State's transportation system network was greatly impacted by Tropical Storm Irene, which battered the State at the end of August 2011. Heavy rains and record flooding took the lives of three State residents, closed and/or destroyed 260 roads and 30 bridges (totaling more than 500 miles), and closed over 350 schools. The storm also left many communities isolated—most with their main streets literally flooded out—and caused roughly 50,000 State residents to be without electric power for days. The widespread flooding across the State from this storm was the second greatest natural disaster in the 20<sup>th</sup> and 21<sup>st</sup> centuries (November 1927 Flood) for Vermont.

As of the date of this Official Statement, an enormous amount of recovery and repairs have already been undertaken and completed, with all of the State bridges and all of the closed miles of State road re-opened as of January 1, 2012. Repairs and restoration were completed as part of an unprecedented cooperative effort between multiple agencies of the State, recovery crews from National Guard units from multiple neighboring states and from large crews from neighboring state agencies of transportation. Estimates of the number of involved parties include: 700 workers from VTrans, 349 workers from the Maine Department of Transportation, 20 from the New Hampshire

Department of Transportation, 667 workers from the National Guard units of six states, and a total of 1,860 workers from 185 private contractors.

The official federal disaster declaration qualified the State government, municipalities and citizens for emergency relief through the Federal Emergency Management Agency (FEMA), the Federal Highway Administration (FHWA), and the National Resources Conservation Service (NRCS). The majority of emergency repairs to State roads, highways and bridges is expected to be funded 100% by the FHWA, but all permanent repairs require a 20% State match. VTrans estimates the total State road, bridge and culvert repair bill could be approximately \$250 million. In addition, Tropical Storm Irene caused \$24.3 million in damages to State-owned track and rail bridges. Railroad emergency funds flow through FEMA and are expected to require a 10% State match. In total, VTrans estimates approximately \$27 million in Irene-related repairs to roads, bridges, rail and culverts will need to come from State funds. Proceeds of the 2012A Bonds are expected to be used to fund a portion of the costs of Irene-related repairs to State bridges and roads.

### **Financing the Transportation Program**

Funding for the State's transportation program is determined as part of the State's annual budget and appropriation process. The major sources of revenues for the transportation program include certain State revenues (including gasoline taxes, purchase and use taxes and license and permitting fees for motor vehicles), transportation infrastructure bond proceeds and pay-as-you-go funds, federal funds (including reimbursements from the federal government for highway programs and ARRA funds) and local funds.

In recent years, Vermont has funded its annual transportation program at record levels. A combination of transportation infrastructure bond funding, federal ARRA funding, increased levels of federal highway formula funds and, more recently, Irene-related funding has resulted in average annual funding of nearly \$594 million in fiscal years 2010–2013. This represents a 45% increase over the average of \$410 million in annual funding in fiscal years 2006–2009. The recently enacted fiscal year 2013 State transportation program is the highest budget on record for the State at \$658 million. Transportation infrastructure bonds, authorized at \$10 million for project costs, represent only 1.5% of the total fiscal year 2013 State transportation program. The remaining budget consists of State revenues and interdepartmental transfers, including internal service funds (\$219.3 million), federal funds (including ARRA) (\$401.1 million), TIB Fund pay-as-you-go funding (\$21.3 million) and local funds (\$6.4 million). Since inception of the transportation infrastructure bond program, the proceeds of Bonds have been used to avoid any project delays for lack of sufficient funding and to assist in addressing all transportation infrastructure projects that are ready to be constructed. To date, as a matter of policy, the State has only issued Bonds if and to the extent there are transportation infrastructure projects remaining after pay-as-you-go sources of funding are allocated.

### **Transportation Infrastructure Bond Program**

The General Assembly directed the Treasurer, working with the Agency of Transportation and the Legislative Joint Fiscal Office to prepare a report containing a long-term needs assessment for repair, maintenance and rehabilitation of bridges and culverts in the State, and to provide funding options and recommendations to address the long-term needs. In response, the Office of the State Treasurer prepared a report entitled "Bridges and Culverts Long-Term Assessment and Funding Options" dated November 15, 2008. The report concluded that traditional sources of transportation funding from federal and State sources were declining, and to meet structural performance goals, additional sources of transportation funding would be necessary. In part as a result of the report, the General Assembly enacted the Assessment Statutes to provide additional sources of funding for transportation projects within the State, and enacted the TIB Statute and the TIB Fund Statute to authorize Bonds to finance such projects.

The TIB Statute authorizes the issuance of Bonds from time to time in amounts authorized by the General Assembly to finance the costs of rehabilitation, reconstruction or replacement of State and municipal bridges and culverts, state roads, railroads, airports and necessary buildings, which, after such work, have a remaining useful life of 30 years or more. The proceeds of the issuance of the 2012A Bonds are expected to be used for bridge reconstruction and roadway reconfiguration and reconstruction projects.

The State currently anticipates issuing Additional Bonds pursuant to the TIB Statute, on parity with 2010A Bonds and the 2012A Bonds, from time to time in amounts as authorized by the General Assembly, as part of the State's transportation program. The actual amount of Bonds to be issued and the timing thereof may differ and will depend on various factors, including the availability of other funding sources, the scope of the State's overall transportation improvement program and the amount of Bonds authorized from time to time by the General Assembly. Any issuance of Additional Bonds will be subject to the terms of the Trust Agreement. See "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds."

### **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2012A Bonds. The 2012A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2012A Bond certificate will be issued for each maturity of the 2012A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard and Poor's rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2012A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2012A 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 2012A Bonds, except in the event that use of the book-entry system for the 2012A Bonds is discontinued.

To facilitate subsequent transfers, all 2012A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2012A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2012A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2012A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2012A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2012A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2012A Bonds may wish to ascertain that the nominee holding the 2012A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners or, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2012A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in 2012A Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State 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 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 2012A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State or Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or 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.

DTC may discontinue providing its services as securities depository with respect to the 2012A Bonds at any time by giving reasonable notice to the State or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2012A Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2012A Bond certificates will be printed and delivered to DTC.

So long as Cede & Co. is the registered owner of the 2012A Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the 2012A Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2012A Bonds.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

**The State cannot and does not give any assurance that DTC will distribute to Participants, or that Participants or others will distribute to Beneficial Owners, payments of principal of, interest and premium, if any, on the 2012A Bonds, or any other notice or that they will do so on a timely basis or will serve or act in the manner described in this Official Statement. The State is not responsible or liable for the failure of DTC or any Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2012A Bonds or any error or delay relating thereto.**

## LITIGATION

No litigation is pending, or, to the knowledge of the Attorney General, threatened against or affecting the State seeking to restrain or enjoin the issuance, sale or delivery of the 2012A Bonds, or in any way contesting or affecting the validity of the 2012A Bonds, the Trust Agreement or the Second Supplemental Agreement, including, without limitation, the levy and collection of the Assessments and the pledge of Pledged Funds. See “CERTIFICATES OF STATE OFFICERS—Absence of Litigation.”

## TAX EXEMPTION

In the opinion of Edwards Wildman Palmer LLP, Bond Counsel to the State of Vermont (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2012A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is of the further opinion that interest on the 2012A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the 2012A Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2012A Bonds. Failure to comply with these requirements may result in interest on the 2012A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2012A Bonds. The State has covenanted to comply with such requirements to ensure that interest on the 2012A Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the 2012A Bonds is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. Bond Counsel expresses no opinion regarding any other State of Vermont tax consequences arising with respect to the 2012A Bonds. Bond Counsel also has not opined as to the taxability of the 2012A Bonds or the income therefrom under the laws of any state other than the State of Vermont. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the 2012A Bonds is less than the amount to be paid at maturity of such 2012A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2012A Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2012A Bonds which is excluded from gross income for federal income tax purposes and is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes. For this purpose, the issue price of a particular maturity of the 2012A Bonds is the first price at which a substantial amount of such maturity of the 2012A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2012A Bonds accrues daily over the term to maturity of such 2012A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2012A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2012A Bonds. Beneficial Owners of the 2012A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2012A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2012A Bonds in the original offering to the public at the first price at which a substantial amount of such 2012A Bonds is sold to the public.

2012A Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such 2012A Bonds, or, in some cases, at the earlier redemption date of such 2012A Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and State of Vermont personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross

income for federal income tax purposes. However, a Beneficial Owner's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person ) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2012A Bonds may adversely affect the value of, or the tax status of interest on, the 2012A Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the 2012A Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the 2012A Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the 2012A Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

Although Bond Counsel is of the opinion that interest on the 2012A Bonds is excluded from gross income for federal income tax purposes and is exempt from State of Vermont personal income taxes and State of Vermont corporate income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2012A Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

#### **FINANCIAL ADVISOR**

Public Resources Advisory Group, Media, Pennsylvania ("PRAG"), serves as independent financial advisor to the State on matters relating to debt management. In its capacity as financial advisor to the State, PRAG has read and participated in the preparation of certain portions of this Official Statement. PRAG is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. PRAG is not obligated to undertake to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

#### **COMPETITIVE SALE OF 2012A BONDS**

After competitive bidding on July 31, 2012, the 2012A Bonds were awarded to Morgan Stanley & Co. LLC (the "Underwriter"). The Underwriter has supplied the information as to the public offering yields or prices of the 2012A Bonds set forth on the cover hereof. The Underwriter has informed the State that if all the 2012A Bonds are resold to the public at those yields or prices, they anticipate the total Underwriter's compensation to be \$124,078.35. The Underwriter may change the public offering yields or prices from time to time.

*The following language has been provided by the Underwriter. The State takes no responsibility as to the accuracy or completeness thereof.*

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the Underwriter of the 2012A Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, the Underwriter will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, the Underwriter will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2012A Bonds.

## RATINGS

The State has received ratings of “AA,” “Aa2” and “AA+” from Fitch Inc., Moody’s Investors Service and Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. (each, a “Rating Agency”), respectively on the 2012A Bonds. The State furnished each Rating Agency with certain information and materials concerning the 2012A Bonds and the State. Generally, each Rating Agency bases its rating on such information and materials and also on such investigations, studies and assumptions that it may undertake independently. There is no assurance that such rating will continue for any given period of time or that such rating may not be suspended, lowered or withdrawn entirely by such Rating Agency if, in its judgment, circumstances so warrant. Any explanation of the significance of the ratings may be obtained only from each respective Rating Agency.

## LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the 2012A Bonds by the State are subject to the approval of Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, whose approving opinion will be delivered with the 2012A Bonds. A copy of the proposed form of opinion is attached hereto as Appendix D.

## CERTIFICATES OF STATE OFFICERS

### **Absence of Litigation**

Upon delivery of the 2012A Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the 2012A Bonds, to the effect that there is no litigation of any nature pending or to the best of the officer’s knowledge, threatened to restrain or enjoin the issuance or delivery of the 2012A Bonds, or in any way contesting or affecting the validity of the 2012A Bonds or any of the proceedings taken with respect to the issuance and sale thereof, or the levy or collection or enforcement of any taxes to pay principal of or interest on the 2012A Bonds.

### **The Governor’s and Treasurer’s Certificate**

Upon delivery of the 2012A Bonds, the State shall furnish a certificate, dated the date of delivery of the 2012A Bonds, signed by the Governor and the Treasurer of the State, certifying that to the best of their knowledge this Official Statement, as of the date of this Official Statement and as of the date of delivery of the 2012A Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

## CONTINUING DISCLOSURE AGREEMENT

The State has covenanted for the benefit of the owners of the 2012A Bonds to provide certain financial information relating to the Assessments by not later than within one year following the end of the State’s fiscal year, (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and event notices will be filed by the State with the Municipal Securities Rulemaking Board (the “MSRB”). The specific nature of the information to be contained in the Annual Report or the event notices is summarized below in Appendix C hereto, “Form of Continuing Disclosure Agreement.” These covenants have been made in order to assist the purchasers in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

In the previous five years, the State has never failed to comply in all material respects with any previous undertakings with respect to the Rule.

## ADDITIONAL INFORMATION

**The 2012A Bonds are not general obligations of the State and are not secured by the full faith and credit of the State. The 2012A Bonds and any Additional Bonds will be payable only from Pledged Funds and other moneys available to the owners of the Bonds under the Trust Agreement. See “AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Special Obligations.”**

The State does not prepare audited financial statements solely with respect to the Assessments or the Bonds under the Trust Agreement, and accordingly, no such audited information is included in this Official Statement or expected to be available in the future. The information relating to the Assessments in this Official Statement has been obtained from the Department of Finance and Management and is unaudited.

The TIB Fund is a special account within the State's Transportation Fund. Information regarding the Transportation Fund is contained in the State's Official Statement dated March 6, 2012 and March 7, 2012, as the case may be, with respect to the State's \$25,000,000 General Obligation Bonds, 2012 Series A, its \$28,000,000 General Obligation Bonds, 2012 Series B, its \$10,000,000 General Obligation Bonds, 2012 Series C (Federally Taxable) and its \$69,060,000 General Obligation Refunding Bonds, 2012 Series D (the "General Obligation Official Statement"). The General Obligation Official Statement has been filed with the MSRB. Appendix A to the General Obligation Official Statement contains the State's audited financial statements for the year ended June 30, 2011 (the "Fiscal Year 2011 Financial Statements"). The Fiscal Year 2011 Financial Statements include information regarding the Transportation Fund and the Assessments for such fiscal year.

Additional information, including copies of the Trust Agreement and the Second Supplemental Agreement, may be obtained upon request from the office of the State Treasurer, Hon. Elizabeth A. Pearce, Pavilion Building, 109 State Street, Montpelier, Vermont 05609-6200, telephone: (802) 828-2301 or from Mr. Thomas F. Huestis, Senior Managing Director, Public Resources Advisory Group, 117 Gayley Street, Suite 200, Media, Pennsylvania 19063, Telephone: (610) 565-5990.

It is the current policy of the State to provide copies of the TIB Statute, the Trust Agreement and the State's annual financial reports upon request. The State reserves the right at any time to change this policy to comply with law or for any other reason.

Several discussions throughout this Official Statement are based, in part, on projections and forward-looking statements related to fiscal year 2013 and subsequent years. No assurance can be given that the forward-looking statements discussed will be realized. The accuracy of the forward-looking statements related to fiscal years 2012 and 2013 cannot be verified until after the close of the fiscal year. In addition the accuracy of all projections and forward-looking statements is dependent on a number of factors including (1) general economic factors that affect the retail price of gasoline in the State and that otherwise affect Assessment revenues, (2) general factors that affect the United States economy and the State economy, and (3) the accuracy of data relating to the Assessments and projections related thereto.

Any statements in the Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the 2012A Bonds.

This Official Statement is submitted only in connection with the sale of the 2012A Bonds by the State and may not be reproduced or used in whole or in part for any other purpose.

By: /s/ Peter E. Shumlin  
Governor

By: /s/ Elizabeth A. Pearce  
Treasurer

**FEASIBILITY STUDY**

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**Kavet, Rockler & Associates, LLC**  
*Economic, Demographic and Public Policy Consulting*

985 Grandview Road  
Williamstown, Vermont 05679-9003 U.S.A.  
Telephone: 802-433-1360  
Facsimile: 866-433-1360  
E-Mail: [tek@kavet.net](mailto:tek@kavet.net)  
Website: [www.kavetrockler.com](http://www.kavetrockler.com)

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# **Feasibility Study Update Associated With State of Vermont Special Obligation Transportation Infrastructure Bonds - 2012 Series A**

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Prepared for the  
Office of the Vermont State Treasurer  
Elizabeth A. Pearce, Treasurer

July 23, 2012

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# **Feasibility Study Associated With State of Vermont Special Obligation Transportation Infrastructure Bonds 2012 Series A**

*Prepared by Kavet, Rockler & Associates, LLC – July 23, 2012*

## **1) Background and Study Purpose**

The purpose of this analysis is to evaluate the likely future revenue streams, relative to expected debt service and other bond-related costs, associated with (i) the \$10.09 million<sup>1</sup> State of Vermont Special Obligation Transportation Infrastructure Bonds, 2012 Series A (hereafter, 2012A TIBs), as authorized in Vermont Statute, Title 32, Chapter 13, 32 V.S.A. § 972 (hereafter, the TIB Statute), and (ii) the previously issued State of Vermont Special Obligation Transportation Infrastructure Bonds, 2010 Series A (hereafter, 2010A TIBs), which are currently outstanding in the amount of \$13.260 million, for a combined bonding amount totaling \$23.35 million.<sup>1</sup>

The TIB Statute authorizes the State Treasurer to issue bonds supported by certain revenues as detailed below for Vermont state transportation projects that include the rehabilitation, reconstruction or replacement of state and municipal bridges and culverts and state roads, railroads, airports and necessary buildings, which, after such work, have a remaining useful life of 30 years or more.

The Transportation Infrastructure Bond Fund (hereafter, the TIB Fund) was created as a special account of the State's Transportation Fund pursuant to Vermont Statute, Title 19, Section 11f. Monies in the TIB Fund are available to pay principal, interest and related costs of bonds issued pursuant to the TIB Statute (Transportation Infrastructure Bonds, hereafter, TIBs), including the 2012A TIBs and the 2010A TIBs.

The TIB Fund contains revenues derived from an assessment of 2% of the retail price per gallon of regular motor vehicle gasoline sold in the State and a 3 cent per gallon assessment on motor vehicle diesel fuel sold in the State.<sup>2</sup> This blend of revenue sources makes future revenue streams dependent upon both the volume of gasoline and diesel fuel sold in the State, as well as the retail price of gasoline.

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<sup>1</sup> Preliminary; subject to change.

<sup>2</sup> Although the TIB assessment on gasoline has been collected in the TIB Fund since July 2009, Vermont has had a per gallon gasoline tax in effect since 1923. The diesel TIB assessment has been collected since December 2009 and represents an increase in the existing diesel fuel tax, first implemented in its present form in 1982.

At the request of the Vermont State Treasurer, this study provides revenue projections supporting the issuance of the 2012A TIBs,<sup>3</sup> which are expected to be issued in early fiscal year 2013, outlines forecast methodologies, considers risks to the forecasts and assesses the capacity of this revenue stream to cover debt service and other bond-related costs of both these bonds and other bonds previously issued under the TIB Statute.

Although this study focuses on the 2012A TIBs, the State previously issued the 2010A TIBs in fiscal year 2011, which are currently outstanding in the aggregate principal amount of \$13.260 million and are supported by the TIB Fund. Further, the State currently anticipates issuing additional TIBs pursuant to the TIB Statute, on parity with 2010A TIBs and the 2012A TIBs, from time to time in amounts as authorized by the General Assembly, as part of the State's transportation program. Although the actual amount and timing of any such issuance is not currently known, the State has provided a pro forma cumulative issuance schedule of \$97.7 million aggregate par amount of additional TIBs through fiscal year 2017, including 2010A TIBs and 2012A TIBs.

The issuance of additional TIBs will have the effect of reducing debt service coverage below the levels projected for the 2010A TIBs and 2012A TIBs alone. Appendix B presents projected debt service requirements and debt service coverage through fiscal year 2036 for the \$97.7 million Transportation Infrastructure Bond program, based on the State's anticipated issuance of TIBs during the period and certain assumptions further noted in this report and in Appendices A and B. The State is not obligated to follow the pro forma schedule shown in Appendix B and, subject to compliance with the terms of the Trust Agreement, may choose to issue more or less additional TIBs and do so at different times than shown in the schedule.

## 2) Revenue Projections

### Data Sources and Modeling Overview

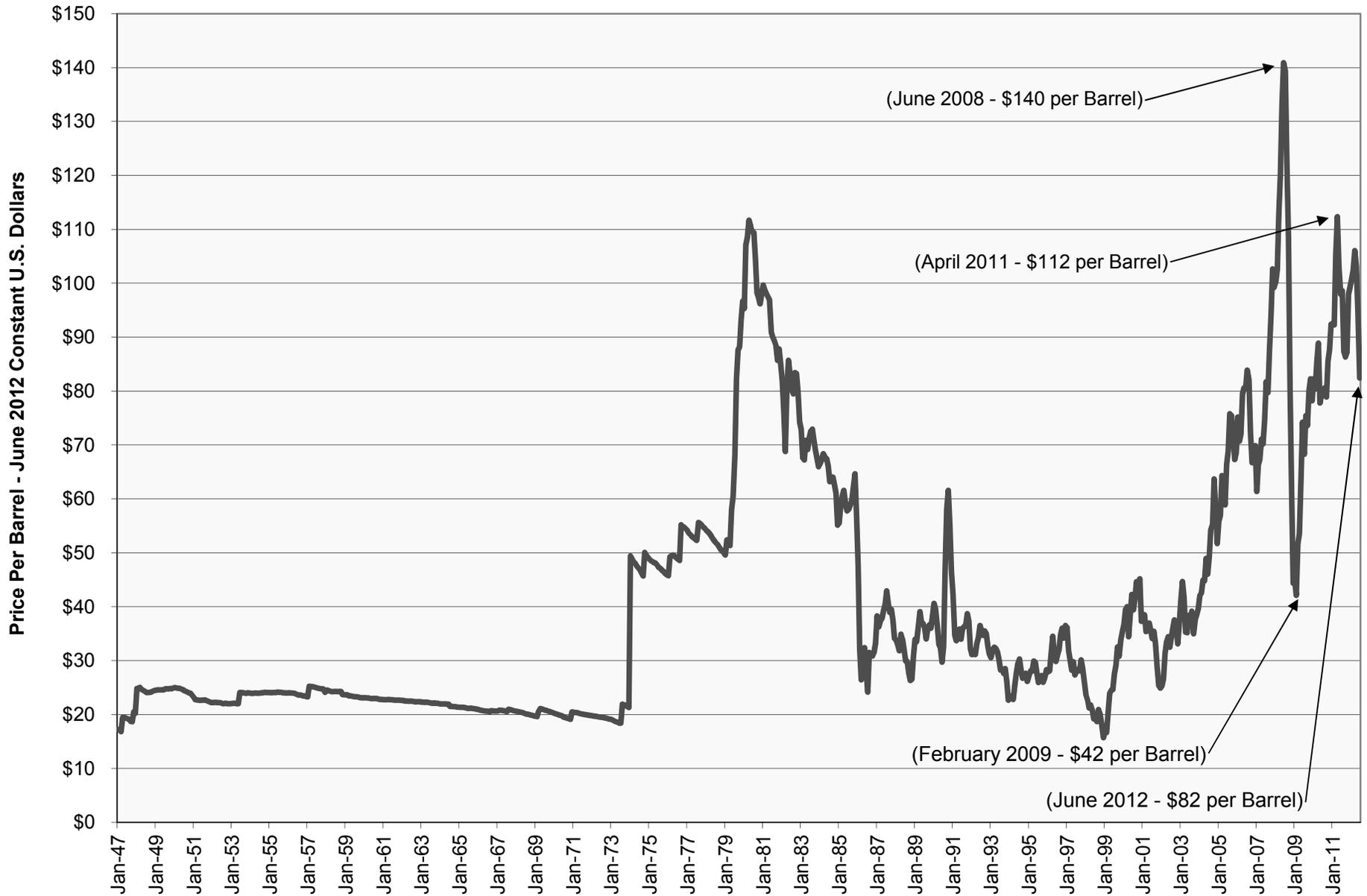
The revenue projections generated in connection with this analysis are based on more than 25 years of monthly revenue and related Vermont-specific data from the Vermont Department of Motor Vehicles, the Vermont Department of Taxes, the Vermont Joint Fiscal Office, the Vermont Public Service Department and the Vermont Department of Finance and Management. The analyses in support of the revenue projections herein are based on statistical and econometric models and professional analytic judgment.<sup>4</sup>

<sup>3</sup> Although additional offerings are expected in subsequent fiscal years and analysis of expected costs and revenues of all anticipated TIB bonding is presented in an appendix to this report, this analysis is confined to the 2010A TIBs outstanding in the aggregate principal amount of \$13.260 million and the proposed issuance of \$10.09 million of 2012A TIBs, for a total of \$23.35 million in bonds to be currently supported by the TIB Fund.

<sup>4</sup> Kavet, Rockler & Associates (KRA) has been the State Economist and Principal Economic Advisor to the Vermont State Legislature for the past 16 years and prepares all official State revenue forecasts and revenue impact analyses for the State legislature. Prior to forming KRA, the principals in the firm were senior economists and executives with Data Resources, Inc./McGraw-Hill, now IHS Global Insight, the nation's largest economic consulting and forecasting firm. For more information on KRA professional experience and related analyses performed by KRA, see: [www.kavetrockler.com](http://www.kavetrockler.com).

# Real Oil Prices Remain Subject to Considerable Volatility

(West Texas Intermediate Crude Oil, PPB in June 2012 Constant Dollars)



Sources: Wall Street Journal, Moody's Analytics, KRA

The primary external macroeconomic forecasts used in this analysis were prepared by Moody's Analytics, the New England Economic Partnership (NEEP), the Vermont Legislative Joint Fiscal Office (JFO) and the U.S. Energy Information Administration (EIA). Moody's U.S. and Vermont economic forecasts are used as the basis for the official State economic and revenue projections prepared by the JFO and the Vermont Agency of Administration and are the primary inputs to the NEEP forecasts.

Revenue streams in this analysis were projected through calendar year 2040 in order to assess capacity for 2010A TIBs, the 2012A TIBs, and expected subsequent offerings. It should be noted that the further into the future a forecast extends, the larger the potential error. Long term forecasts such as these are best understood as "reasonable" projections of events, given specific assumptions. Major unforeseen events, structural change in industries and factors of production, and other fundamental changes in social, political, technological and environmental conditions could have a significant impact on the revenue projections and other assumptions employed herein.<sup>5</sup>

Oil and derivative gasoline prices, upon which these forecasts are based in part, are subject to considerable volatility, as evidenced over the past 30 years and especially in the past decade (see charts on preceding and following page). Market concentration in oil production and cartels, such as OPEC (which can artificially constrict supply), speculative investment (which can exacerbate market fluctuations), and supply disruption vulnerability from both political and natural causes, all serve to amplify oil price volatility. Even short term oil price projections can have relatively wide potential error ranges, as measured by the statistical concept known as "confidence intervals."

Confidence intervals provide a range within which an expected outcome is likely to occur with a given confidence level or probability (often 95% in forecasting applications), based on a given set of data. The EIA has developed a set of confidence intervals for various energy prices, including those for West Texas Intermediate Crude Oil (WTI), based on data derived from New York Mercantile Exchange (NYMEX) options markets<sup>6</sup> at various confidence levels.<sup>7</sup> As the EIA notes, *"Confidence intervals for oil and derivative products tend to be wide, in part because even small imbalances in oil markets can trigger large movements in prices given that both the production and use of oil tend to be relatively insensitive to price changes in the short-run. Increased uncertainty in consumption, production, or other factors influencing oil prices tend to induce an increase in implied volatility and a widening of the confidence intervals."*<sup>8</sup>

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<sup>5</sup> Moody's projections are generally available through 2027 and were extended to 2040 using extrapolations of longer term trend growth rates; NEEP projections are generally available through 2018; JFO projections are available through 2017; and EIA projections are available through 2035, with shorter term 2 year projections updated more frequently, but not regularly integrated into longer term EIA forecasts.

<sup>6</sup> EIA quantifies market uncertainty and risk by using a concept they call "implied volatilities." Implied volatility is calculated from trading option prices using the Black commodity option pricing model. The confidence intervals reflect the range in which those prices are likely to trade. For more information, see: [http://www.eia.doe.gov/emeu/steo/pub/special/2009\\_sp\\_05.html](http://www.eia.doe.gov/emeu/steo/pub/special/2009_sp_05.html)

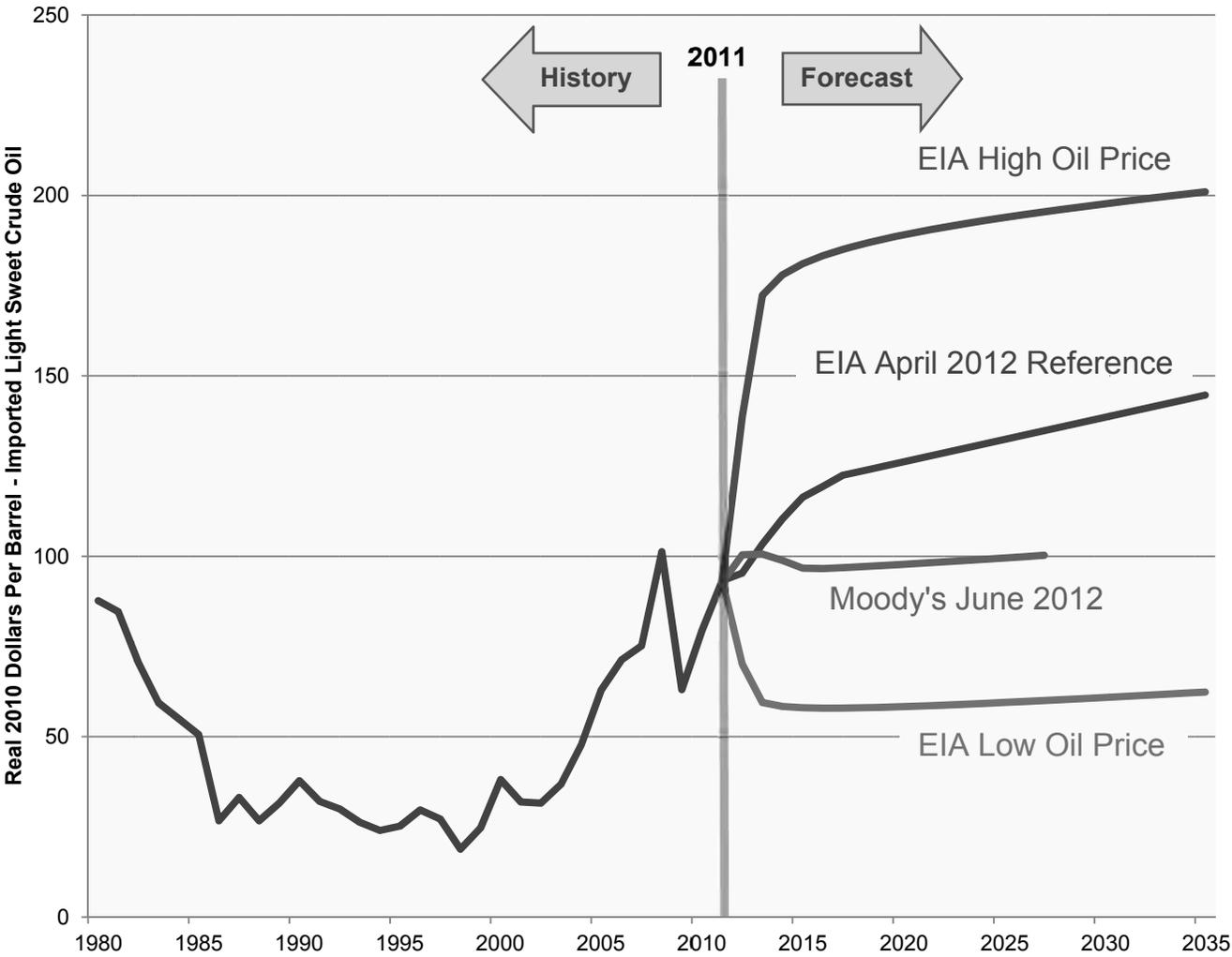
<sup>7</sup> EIA confidence levels represent the probability that the final market price for a particular futures contract will fall somewhere within the upper and lower limits of the range of prices predicted. For example, if a confidence level of 95% is specified, then a range of prices can be estimated within which there is a 95% probability the delivered price for the commodity in the contract's delivery month will fall within that range. The higher the specified confidence level, the wider the range between the lower and upper limits.

<sup>8</sup> See: [http://www.eia.doe.gov/emeu/steo/pub/special/2009\\_sp\\_05.html](http://www.eia.doe.gov/emeu/steo/pub/special/2009_sp_05.html)

The below chart illustrates April 2012 EIA WTI crude oil forecast ranges consistent with 95% confidence intervals through 2035 and June 2012 Moody's Analytics control forecasts of the same through 2027. The EIA alternative projections illustrate the wide range of possible prices at this confidence interval, even within the next 12 months. Based on this, in 2013, the real price (in 2010 dollars) of a barrel of crude oil could range from anywhere between about \$60 and \$175, with this spread widening to more than \$140 over the forecast period. Despite fairly close correspondence over the next several years, the EIA control forecast is more than \$25 per barrel higher than the Moody's forecast in 2017 and beyond. The inherent volatility in oil and gas prices could make actual year to year TIB revenue changes more erratic than those derived from the control forecast assumptions used herein.

**Uncertainty Abounds in Oil Price Forecasts (Spring 2012 Projections)**

Sources: Moody's Analytics - June 2012, EIA AEO Early Release Overview - April 2012



## Economic Model Construct

There are two revenue sources modeled as a part of this analysis. The largest, which is projected to represent more than 90% of all TIB revenues in most years forecast herein, is based on expenditures in Vermont on taxable motor fuel gasoline (affected by both the volume of gallons sold and the average State retail price excluding taxes in the preceding quarter). The other is based on the volume of diesel fuel sold (gallorage).

The revenue assessment on gasoline that supports the TIB bonds is a departure from most gasoline taxes in that it is levied as a percentage (2%) of total gasoline sales, collected by distributors, rather than a cents per gallon tax. Despite potential price volatility, this tax structure will probably enhance both the revenue potential and longer term growth of this revenue source. Traditional gasoline taxes in Vermont and elsewhere are usually assessed as a per gallon charge, and thus do not grow with public infrastructure needs as gasoline prices rise. This often necessitates rate increases over time as general inflation and, in particular, oil prices escalate. Because higher gasoline prices are a primary variable in reducing gasoline consumption, the TIB gas tax structure provides some protection against revenue loss from declining consumption over time caused by rising gas prices. Despite expectations of very low gasoline demand growth over the forecast period (0.5% per year), revenue growth is expected to be close to 3% (at compound average annual rates), due to expected continued upward price pressure.

The TIB diesel assessment is a more traditional per gallon tax (3 cents) that relies on the volume of diesel fuel sold. Both taxes are collected at the distributor level, which can accentuate month to month volatility in revenues due to inventory swings, but which generally enhances compliance, due to the size and relatively small number of taxpayers.

TIB revenues are currently monitored and forecast by the State of Vermont as part of a regular consensus forecasting process that is updated at least every six months.<sup>9</sup> These forecasts allow for constant adjustment based on changing economic conditions and are available for the current and subsequent four fiscal years (currently through FY2017).

As illustrated in the table at the top of the following page, TIB Fund revenues have been relatively close to near- term projections, with higher gasoline prices primarily responsible for the positive variance in actual vs. forecast revenues.

Preliminary TIB revenues for FY2012 are expected to close the fiscal year slightly above (+1.5%) prior projections, as higher than anticipated gasoline prices over the past six months generated additional revenues. More recently, however, crude oil prices have plunged nearly 23% since their recent peak on May 1, 2012 at \$106.16 per barrel to \$81.80 per barrel as of mid-June 2012, and gasoline prices have begun declining accordingly.

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<sup>9</sup> The regular revenue forecasting process is conducted in January and July of each year; however, in times of elevated economic uncertainty, such as during the Great Recession and its immediate aftermath, forecasts are updated more frequently, usually four times per year. These forecasts are performed as a part of a consensus revenue estimation process involving economists for the Agency of Administration and the JFO. KRA is the State Economist in this process for the JFO.

<b>PRIOR REVENUE FORECASTS VS. ACTUALS</b>			
<b>(millions of dollars)</b>			
	<b>Gasoline</b>	<b>Diesel</b>	<b>Total</b>
<b>For FY11</b>			
Actual (final)	\$16.5	\$2.0	\$18.5
Initial TIB 2010 Forecast	\$16.1	\$1.9	\$18.0
<i>Variance %</i>	2.6%	3.3%	2.6%
January 2011 Consensus	\$16.5	\$1.9	\$18.4
<i>Variance %</i>	0.1%	3.3%	0.4%
<b>For FY12</b>			
Actual (preliminary)	\$20.9	\$1.9	\$22.8
Initial TIB 2010 Forecast	\$17.8	\$2.0	\$19.8
<i>Variance %</i>	17.4%	-3.2%	15.3%
January 2012 Consensus	\$20.6	\$1.9	\$22.5
<i>Variance %</i>	1.5%	1.9%	1.5%

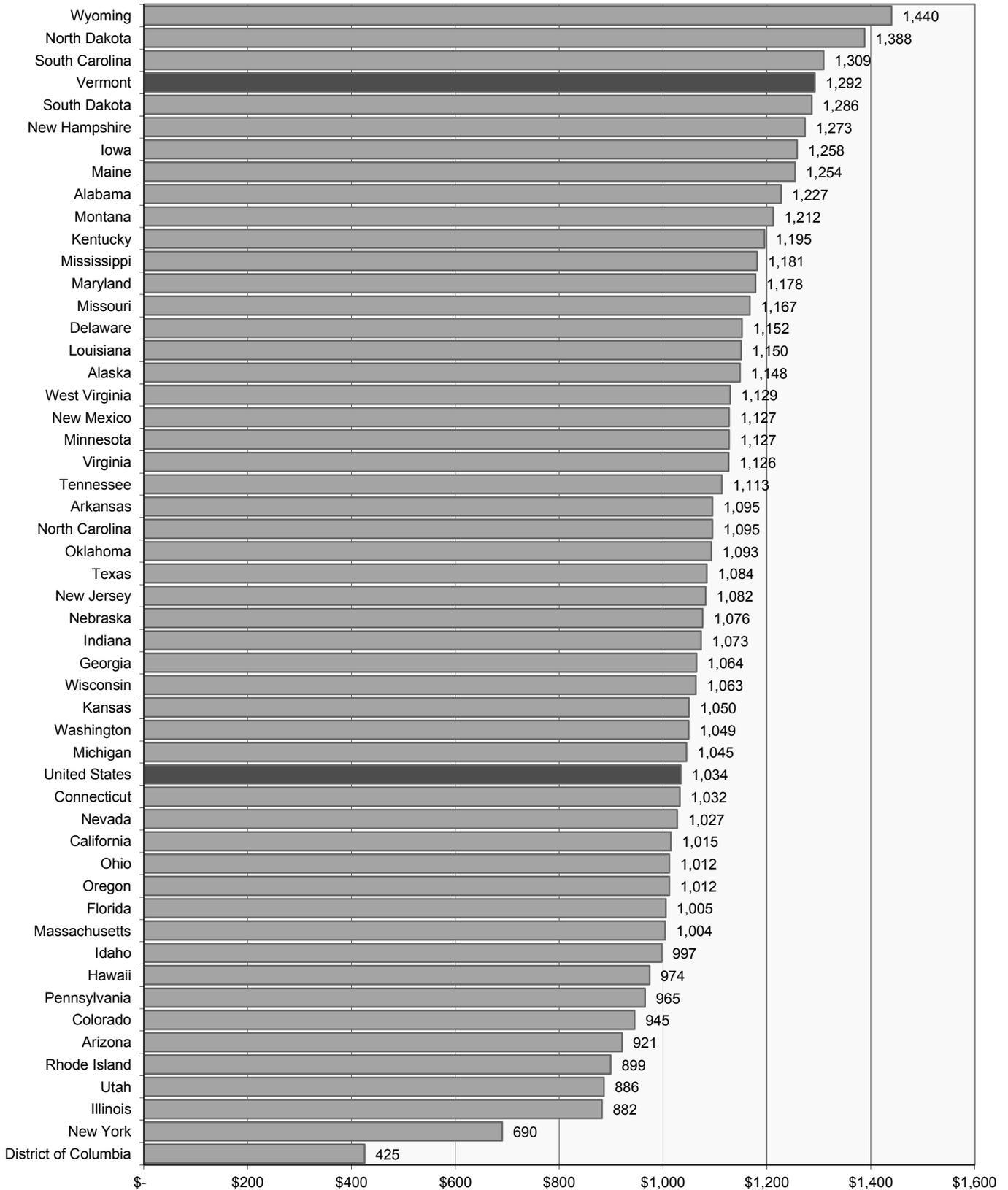
While a continuation of these steep oil price declines is not expected, lower global demand caused by continuing economic problems in Europe and slowing growth in India, China and Brazil will leave calendar year 2012 gasoline prices in Vermont only slightly above 2011 prices. As global economic growth picks up in 2013 and especially 2014, more rapid gasoline price appreciation can be expected, with nominal prices exceeding \$4 per gallon by 2015. As detailed in Table 5 in Appendix A, longer-term average annual growth in Vermont gasoline prices, at 2.5%, is conservatively estimated to only slightly exceed underlying rates of inflation as measured by the Consumer Price Index (CPI), at 2.3%.

The basic forecasting models used in the State consensus forecasting process were employed in this analysis to generate the revenue projections herein. These models use Moody's and NEEP macroeconomic projections and a blended gasoline price forecast that considers both EIA and Moody's projections. Over the forecast period from 2012 to 2040, EIA assumes somewhat higher gasoline price increases (2.7% per year) than Moody's (2.4% per year). As noted above, the blended gasoline price assumption for the State of Vermont is detailed in Table 5 in Appendix A, hereto.

Taxable gasoline consumption in Vermont has grown at a rate of approximately 1.1% per year (at compound average annual rates) between 1981 and 2011, which is slightly higher than State population growth at 0.7% per year over the same period, as detailed in Tables 1 and 3 in Appendix A. Population growth over the forecast period from 2012 to 2040 is expected to slow to 0.4% per year, with growth in gasoline demand dropping to 0.5% per year. As a relatively rural state with few urban centers and limited public transportation availability, Vermont has among the highest per capita consumption of motor fuel in the nation (see chart on following page, which reflects the latest available data). Although the fuel efficiency of the vehicle fleet in the State will continue to improve, the disproportionate number of per capita miles driven due to the dispersed

# Per Capita Motor Gasoline Expenditures - 2009

Source: U.S. Energy Information Administration

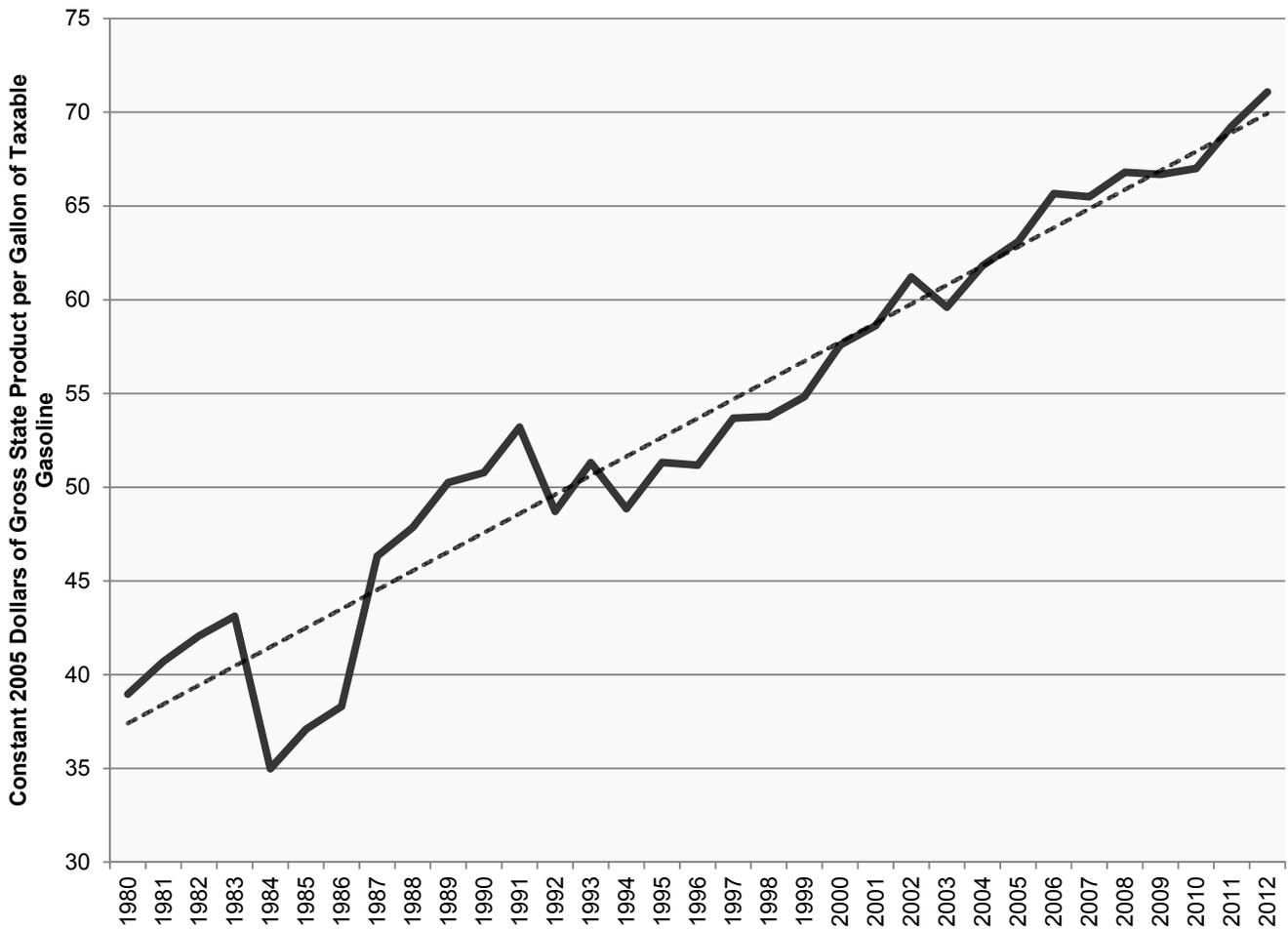


population and rural character of the State will continue to support slight growth in gasoline demand.

The variables influencing gasoline consumption in the State include population, economic output (as measured by Gross State Product), personal income, gasoline prices and the transportation vehicle efficiency mix employed in the State. Historical and forecasted values used in this analysis for selected economic, demographic and revenue metrics of relevance are illustrated in Tables 2-5 in Appendix A.

As illustrated in the below chart, constant dollar Gross State Product per gallon of gasoline consumed in Vermont has grown steadily over the past 30 years, nearly doubling between 1980 and 2012. This response to rising real gasoline prices reflects both exceptional productivity and efficiency gains as well as broader economic restructuring away from energy-intensive manufacturing and agriculture, in favor of service sector and high value-added manufacturing growth.

**Real Dollars of GSP Per Gallon of Taxable Gasoline in Vermont**  
 (Implied Gallons Per Constant 2005 Dollars, Actual FY and 32 Year Trend, Source: VT JFO)



This improvement in productivity, expressed as the ratio of real output to gasoline consumption, is expected to continue and accelerate over the forecast period, as real gasoline prices continue to rise. Between 2012 and 2040, Vermont gasoline prices are expected to grow at a compound annual rate of about 2.5%, while general inflation is expected to grow 2.3% per year over the same period. This will result in very little growth in taxable gasoline gallonage, with total demand in 2040 only about 10% above levels in 2014.

Diesel fuel demand is also affected by many of the same variables as gasoline, although it tends to be more cyclically sensitive, due to the commercial and industrial functions associated with its use. Although there has been some productivity improvement over time, it has not been as pronounced as for gasoline. Smaller, more fuel efficient cars are more readily substituted for larger gas-guzzlers than smaller trucks can be for tractor trailers hauling goods. As a result, demand for diesel fuel is expected to grow at about 1.4% per year between 2012 and 2040, with TIB-related revenues growing in tandem.

### **Forecast Risks**

Most of the revenue forecast risk is associated with lower gasoline prices than are currently assumed. In the baseline forecast, Vermont gasoline prices are expected to rise from an annual average of \$3.62 per gallon in 2012 to \$7.16 per gallon in 2040. Much of this upward price pressure is the result of strong projected international demand, especially in the developing economies of China, India and Brazil, and limited proven global oil supplies. If this demand fails to materialize or substantial new oil supplies are discovered, prices could rise more slowly or decline at some time during the forecast period.

Although any alternative simulation would also need to take into account additional gasoline demand that would result from declining prices, a simple reduction in gasoline prices by 50%, without changing gasoline demand, would result in a concomitant 50% reduction in TIB gasoline revenues. Diesel revenues under such a scenario would be likely to increase slightly, as lower oil prices increase fuel demand and general economic activity.

As detailed in Tables 1 and 6, however, even with a 50% reduction in revenues, there is ample revenue to service the 2010A TIBs and the 2012A TIBs, as well as the additional bond issuance outlined in Appendix B.

**TABLE 1**  
**State of Vermont**  
**Transportation Infrastructure Revenue Bonds**

**2010A TIBs and 2012A TIBs Debt Service Coverage**

Maturity Date	Fiscal Year	2010A TIBs Debt Service* (Actual)	2012A TIBs Debt Service** (Estimated)	Total Fiscal Year Debt Service (Estimated)	MFTIA Revenue (Projected)	Debt Service Coverage (Projected)
6/15/2012	2012	\$991,563		\$991,563	\$22,836,887	23.03
6/15/2013	2013	\$990,063	\$635,988	\$1,626,050	\$23,100,631	14.21
6/15/2014	2014	\$993,363	\$713,950	\$1,707,313	\$24,189,047	14.17
6/15/2015	2015	\$991,363	\$714,750	\$1,706,113	\$25,938,529	15.20
6/15/2016	2016	\$994,163	\$714,950	\$1,709,113	\$27,392,723	16.03
6/15/2017	2017	\$991,663	\$714,550	\$1,706,213	\$28,354,529	16.62
6/15/2018	2018	\$990,788	\$713,550	\$1,704,338	\$29,116,534	17.08
6/15/2019	2019	\$994,538	\$716,950	\$1,711,488	\$29,800,891	17.41
6/15/2020	2020	\$991,113	\$714,550	\$1,705,663	\$30,538,692	17.90
6/15/2021	2021	\$990,563	\$716,550	\$1,707,113	\$31,383,155	18.38
6/15/2022	2022	\$994,413	\$717,750	\$1,712,163	\$32,291,521	18.86
6/15/2023	2023	\$992,513	\$713,150	\$1,705,663	\$33,158,456	19.44
6/15/2024	2024	\$995,013	\$712,950	\$1,707,963	\$33,994,105	19.90
6/15/2025	2025	\$994,825	\$716,950	\$1,711,775	\$34,905,817	20.39
6/15/2026	2026	\$991,825	\$715,450	\$1,707,275	\$35,865,422	21.01
6/15/2027	2027	\$992,950	\$717,850	\$1,710,800	\$36,892,112	21.56
6/15/2028	2028	\$990,888	\$714,250	\$1,705,138	\$37,912,394	22.23
6/15/2029	2029	\$992,700	\$715,950	\$1,708,650	\$38,918,027	22.78
6/15/2030	2030	\$993,200	\$715,750	\$1,708,950	\$39,904,531	23.35
6/15/2031	2031	\$0	\$716,100	\$716,100	\$40,914,608	57.14
6/15/2032	2032	\$0	\$715,850	\$715,850	\$41,922,766	58.56
		\$18,857,500	\$14,227,788	\$33,085,288	\$679,331,377	

\* Debt service schedule was provided to KRA by Public Resources Advisory Group, Inc. and reflects actual debt service on the 2010A TIBs.

\*\* Preliminary; subject to change. Debt service schedule was provided to KRA by Public Resources Advisory Group, Inc. and reflects an assumed rate of interest of approximately 3.65% on the 2012A TIBs.

### **3) Summary**

#### **Debt Service Coverage Analysis**

Table 1 on the preceding page presents the results of the debt service coverage analysis based on revenue projections herein and debt service calculations provided to KRA by Public Resources Advisory Group (PRAG). This analysis projects that in no fiscal year would available TIB revenues fall below 14 times the projected debt service costs for the 2010A TIBs and the 2012A TIBs. This would mean that it is likely the entire annual debt service costs for the 2010A TIBs and the 2012A TIBs could be generated by revenues collected in just one average month of each fiscal year. This is sufficient capacity to cover debt service and other bond-related costs, even under extremely pessimistic forecast assumptions. Actual coverage, however, will be lower as a result of additional debt expected to be issued and could also be lower if there are variances from the assumptions used in these forecasts.

#### **Conclusion and Professional Opinion**

In conclusion, based upon the baseline revenue forecast assumptions outlined in this analysis and debt service projections provided to KRA by PRAG, it is KRA's opinion that each fiscal year ending on June 30 of each forecast year will achieve an amount that is adequate to pay the aggregate debt service and bond-related costs associated with the 2010A TIBs and the 2012A TIBs.

### **4) Disclaimer**

It should be noted that estimates and opinions included in this report are based on exploratory level analysis and the best available information at the time of the study. Current professional practices and procedures were used in the development of these findings. However, there is considerable uncertainty inherent in projecting future tax revenue collections for any governmental entity. There may be differences between forecasted and actual results caused by events and circumstances beyond the control or knowledge of the forecasters. These differences could be material. The tax revenue forecasts in this document are intended to reflect long-term trends based on specified assumptions. Actual experience in any given year may vary due to economic conditions and other factors.

# APPENDIX A

## TABLES 2-5, SELECTED ECONOMIC, DEMOGRAPHIC AND REVENUE METRICS AND GRAPHIC DISPLAY OF PRO FORMA TIB ASSESSMENT REVENUES<sup>10</sup>

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<sup>10</sup> Although the TIB assessment on gasoline has been collected in the TIB Fund since July 2009, Vermont has had a per gallon gasoline tax in effect since 1923. The diesel TIB assessment has been collected since December 2009 and represents an increase in the existing diesel fuel tax, first implemented in its present form in 1982. Table 3 and related charts in this Appendix contain pro forma estimates of what TIB revenues from these assessments would have been if such assessments had been collected prior to fiscal year 2010, based on available historical data relating to retail gasoline prices and gallons of gasoline and diesel fuel sold in the State. The pro forma estimates are provided in order to allow comparisons to other historical information in this study, but do not represent actual revenues of the State. If the assessments had been collected prior to fiscal year 2010, it is likely that the actual amounts collected would differ from the estimates.

**TABLE 2**  
**Selected Economic and Demographic Metrics**  
**Transportation Infrastructure Bond Analysis - July 2012**

Vermont Gross State Product (GSP) Constant 2005 Dollars Fiscal Year Basis			Vermont Gross State Product (GSP) Nominal Dollars Fiscal Year Basis			Total Population Vermont Fiscal Year Basis		Median Household Income Vermont Fiscal Year Basis		
	\$Billions	%ch		\$Billions	%ch	Thousands	%ch	\$Thousands	%ch	
1981	9.7		1981	5.0		1981	514.7	1981	17.9	
1982	9.8	1.6%	1982	5.5	9.0%	1982	517.7	0.6%	1982	18.6
1983	9.9	1.1%	1983	5.9	6.7%	1983	521.8	0.8%	1983	18.4
1984	10.4	5.0%	1984	6.4	4.4%	1984	525.4	0.7%	1984	20.7
1985	11.0	5.3%	1985	7.0	3.5%	1985	528.7	0.6%	1985	24.7
1986	11.6	5.5%	1986	7.7	1.9%	1986	532.5	0.7%	1986	25.5
1987	12.2	5.6%	1987	8.4	3.7%	1987	537.7	1.0%	1987	24.5
1988	13.4	9.5%	1988	9.5	12.6%	1988	546.1	1.6%	1988	27.2
1989	14.5	8.1%	1989	10.6	4.8%	1989	554.8	1.6%	1989	30.4
1990	14.8	2.3%	1990	11.2	5.4%	1990	562.3	1.3%	1990	31.5
1991	14.5	-1.9%	1991	11.4	1.5%	1991	567.3	0.9%	1991	29.8
1992	14.7	1.4%	1992	11.9	4.1%	1992	571.1	0.7%	1992	30.9
1993	15.2	3.1%	1993	12.5	5.3%	1993	575.8	0.8%	1993	31.9
1994	15.7	3.1%	1994	13.2	5.5%	1994	581.5	1.0%	1994	33.3
1995	15.8	1.0%	1995	13.5	2.6%	1995	587.1	1.0%	1995	35.5
1996	16.2	2.1%	1996	14.0	2.9%	1996	592.0	0.8%	1996	32.6
1997	16.9	4.7%	1997	14.8	5.9%	1997	596.0	0.7%	1997	33.4
1998	17.7	4.6%	1998	15.6	5.5%	1998	599.2	0.5%	1998	37.1
1999	18.4	4.2%	1999	16.4	5.1%	1999	602.9	0.6%	1999	41.1
2000	19.6	6.4%	2000	17.6	7.4%	2000	608.0	0.8%	2000	41.5
2001	20.2	3.2%	2001	18.5	4.8%	2001	611.3	0.5%	2001	42.4
2002	20.6	1.8%	2002	19.1	3.6%	2002	614.2	0.5%	2002	43.5
2003	21.2	2.7%	2003	20.0	4.4%	2003	617.0	0.5%	2003	43.7
2004	22.1	4.2%	2004	21.2	6.2%	2004	619.2	0.4%	2004	45.0
2005	22.7	2.8%	2005	22.4	5.5%	2005	620.8	0.3%	2005	46.5
2006	23.0	1.3%	2006	23.3	4.1%	2006	622.3	0.2%	2006	46.2
2007	22.8	-0.7%	2007	23.8	2.1%	2007	623.3	0.2%	2007	48.9
2008	22.9	0.4%	2008	24.3	2.3%	2008	623.9	0.1%	2008	51.0
2009	22.2	-3.3%	2009	24.2	-0.5%	2009	624.5	0.1%	2009	52.4
2010	22.4	1.1%	2010	24.8	2.3%	2010	625.5	0.2%	2010	50.4
2011	23.0	2.7%	2011	25.7	3.6%	2011	626.3	0.1%	2011	49.3
2012	23.1	0.5%	2012	26.3	2.7%	2012	627.5	0.2%	2012	49.7
2013	23.8	2.9%	2013	27.6	4.6%	2013	629.6	0.3%	2013	50.3
2014	24.4	2.6%	2014	28.8	4.6%	2014	631.5	0.3%	2014	51.6
2015	25.3	3.6%	2015	30.5	5.9%	2015	633.7	0.3%	2015	53.6
2016	26.1	3.0%	2016	32.1	5.3%	2016	635.9	0.3%	2016	55.7
2017	26.6	2.0%	2017	33.4	4.0%	2017	638.2	0.4%	2017	57.5
2018	27.0	1.4%	2018	34.6	3.5%	2018	640.7	0.4%	2018	59.2
2019	27.4	1.6%	2019	35.8	3.6%	2019	643.3	0.4%	2019	60.9
2020	27.9	1.7%	2020	37.1	3.7%	2020	646.1	0.4%	2020	62.5
2021	28.4	1.8%	2021	38.6	3.8%	2021	648.9	0.4%	2021	64.1
2022	28.9	1.9%	2022	40.0	3.9%	2022	651.6	0.4%	2022	65.9
2023	29.5	2.0%	2023	41.6	3.9%	2023	654.3	0.4%	2023	67.7
2024	30.0	1.9%	2024	43.2	3.9%	2024	657.1	0.4%	2024	69.7
2025	30.6	1.9%	2025	44.9	3.8%	2025	659.9	0.4%	2025	71.7
2026	31.2	1.9%	2026	46.6	3.8%	2026	662.6	0.4%	2026	73.7
2027	31.8	1.9%	2027	48.3	3.8%	2027	665.1	0.4%	2027	75.7
2028	32.4	1.9%	2028	50.2	3.8%	2028	667.6	0.4%	2028	77.9
2029	33.0	1.9%	2029	52.1	3.8%	2029	670.2	0.4%	2029	80.1
2030	33.7	1.9%	2030	54.0	3.8%	2030	672.7	0.4%	2030	82.3
2031	34.3	1.9%	2031	56.1	3.8%	2031	675.2	0.4%	2031	84.6
2032	35.0	1.9%	2032	58.2	3.8%	2032	677.8	0.4%	2032	87.0
2033	35.7	1.9%	2033	60.4	3.8%	2033	680.3	0.4%	2033	89.5
2034	36.4	1.9%	2034	62.7	3.8%	2034	682.9	0.4%	2034	92.0
2035	37.1	1.9%	2035	65.1	3.8%	2035	685.5	0.4%	2035	94.6
2036	37.8	1.9%	2036	67.5	3.8%	2036	688.0	0.4%	2036	97.2
2037	38.5	1.9%	2037	70.1	3.8%	2037	690.6	0.4%	2037	100.0
2038	39.3	1.9%	2038	72.8	3.8%	2038	693.2	0.4%	2038	102.8
2039	40.0	1.9%	2039	75.5	3.8%	2039	695.9	0.4%	2039	105.7
2040	40.8	1.9%	2040	78.4	3.8%	2040	698.5	0.4%	2040	108.7

**Compound Average Annual Percent Change**

1981-2011	2.9%	5.6%	0.7%	3.4%
2012-2040	2.0%	4.0%	0.4%	2.8%

**TABLE 3**  
**Selected Economic and Revenue Metrics**  
**Transportation Infrastructure Bond Analysis - July 2012**

West Texas Intermediate Crude Price Per Barrel Fiscal Year Basis			U.S. Consumer Price Index Urban Consumer, All Items Fiscal Year Basis			Pro Forma VT TIB Revenues* from Gasoline Assessment Fiscal Year Basis			Pro Forma VT TIB Revenues* from Diesel Assessment Fiscal Year Basis		
\$ Per BBL	%ch		1981	Index	%ch	1981	\$Millions	%ch	1981	\$Millions	%ch
1981	37.4		1981	86.6		1981			1981		
1982	34.4	-8.1%	1982	94.2	8.7%	1982			1982		
1983	32.2	-6.4%	1983	98.2	4.3%	1983			1983		
1984	30.5	-5.2%	1984	101.8	3.7%	1984			1984		
1985	27.9	-8.6%	1985	105.8	3.9%	1985	2.9		1985	0.6	
1986	22.0	-21.1%	1986	108.9	2.9%	1986	2.7	-6.4%	1986	0.6	8.7%
1987	16.7	-24.0%	1987	111.3	2.2%	1987	2.1	-23.3%	1987	0.7	12.3%
1988	18.3	9.3%	1988	115.9	4.1%	1988	2.3	10.0%	1988	0.7	2.7%
1989	17.2	-6.1%	1989	121.2	4.6%	1989	2.4	8.0%	1989	0.8	6.6%
1990	19.8	15.4%	1990	127.0	4.8%	1990	3.4	38.3%	1990	1.2	52.7%
1991	25.2	27.4%	1991	133.9	5.5%	1991	3.7	8.7%	1991	1.3	7.5%
1992	20.9	-17.2%	1992	138.2	3.2%	1992	4.0	8.0%	1992	1.2	-2.6%
1993	20.4	-2.1%	1993	142.5	3.1%	1993	3.6	-8.0%	1993	1.3	8.8%
1994	16.7	-18.2%	1994	146.2	2.6%	1994	3.7	1.9%	1994	1.3	-6.0%
1995	18.5	10.5%	1995	150.4	2.8%	1995	3.7	-0.2%	1995	1.3	5.9%
1996	19.4	5.0%	1996	154.5	2.7%	1996	4.0	8.2%	1996	1.3	-0.6%
1997	22.4	15.8%	1997	158.9	2.8%	1997	4.5	10.8%	1997	1.3	-1.3%
1998	17.6	-21.7%	1998	161.8	1.8%	1998	5.3	17.9%	1998	1.6	23.2%
1999	14.4	-17.9%	1999	164.5	1.7%	1999	4.2	-19.5%	1999	1.7	7.4%
2000	26.0	80.1%	2000	169.3	2.9%	2000	5.9	39.3%	2000	1.8	2.9%
2001	30.1	15.8%	2001	175.1	3.4%	2001	7.9	33.8%	2001	2.1	19.3%
2002	23.7	-21.1%	2002	178.2	1.8%	2002	6.8	-13.2%	2002	2.0	-6.7%
2003	29.9	26.1%	2003	182.1	2.2%	2003	7.4	8.5%	2003	2.0	-1.3%
2004	33.7	12.8%	2004	186.1	2.2%	2004	8.5	14.8%	2004	2.2	9.7%
2005	48.7	44.4%	2005	191.7	3.0%	2005	10.9	28.3%	2005	1.9	-13.8%
2006	64.2	31.8%	2006	198.9	3.8%	2006	13.7	25.5%	2006	2.1	14.0%
2007	63.4	-1.3%	2007	204.1	2.6%	2007	15.1	10.1%	2007	2.2	1.7%
2008	97.1	53.1%	2008	211.7	3.7%	2008	17.4	15.2%	2008	2.0	-7.8%
2009	69.7	-28.2%	2009	214.7	1.4%	2009	17.2	-1.3%	2009	1.9	-6.5%
2010	75.2	7.9%	2010	216.8	1.0%	2010	13.4	-22.2%	2010	1.8	-3.7%
2011	89.4	18.9%	2011	221.1	2.0%	2011	16.5	23.6%	2011	2.0	9.6%
2012	96.0	7.3%	2012	227.5	2.9%	2012	20.9	26.6%	2012	1.9	-1.4%
2013	96.0	0.0%	2013	230.9	1.5%	2013	21.0	0.7%	2013	2.1	6.3%
2014	108.2	12.7%	2014	236.7	2.5%	2014	22.1	4.9%	2014	2.1	3.1%
2015	109.9	1.5%	2015	243.3	2.8%	2015	23.8	7.7%	2015	2.2	2.4%
2016	109.6	-0.3%	2016	249.4	2.5%	2016	25.2	5.9%	2016	2.2	2.3%
2017	112.0	2.2%	2017	255.3	2.3%	2017	26.1	3.7%	2017	2.3	1.7%
2018	114.6	2.3%	2018	261.7	2.5%	2018	26.8	2.9%	2018	2.3	0.7%
2019	117.3	2.3%	2019	268.2	2.5%	2019	27.5	2.5%	2019	2.3	0.8%
2020	120.0	2.3%	2020	274.6	2.4%	2020	28.2	2.6%	2020	2.3	0.9%
2021	122.8	2.3%	2021	281.2	2.4%	2021	29.0	2.9%	2021	2.3	1.0%
2022	125.6	2.3%	2022	288.0	2.4%	2022	29.9	3.0%	2022	2.4	1.0%
2023	128.5	2.3%	2023	294.8	2.4%	2023	30.8	2.8%	2023	2.4	1.3%
2024	131.5	2.3%	2024	301.7	2.4%	2024	31.6	2.6%	2024	2.4	1.3%
2025	134.5	2.3%	2025	308.8	2.3%	2025	32.5	2.8%	2025	2.5	1.2%
2026	137.6	2.3%	2026	316.0	2.3%	2026	33.4	2.9%	2026	2.5	1.2%
2027	140.7	2.3%	2027	323.2	2.3%	2027	34.4	3.0%	2027	2.5	1.3%
2028	143.8	2.2%	2028	330.5	2.3%	2028	35.4	2.9%	2028	2.5	1.3%
2029	147.0	2.2%	2029	338.0	2.3%	2029	36.3	2.8%	2029	2.6	1.3%
2030	150.3	2.2%	2030	345.6	2.3%	2030	37.3	2.6%	2030	2.6	1.3%
2031	153.7	2.2%	2031	353.4	2.3%	2031	38.3	2.6%	2031	2.6	1.3%
2032	157.1	2.2%	2032	361.4	2.3%	2032	39.2	2.5%	2032	2.7	1.3%
2033	160.6	2.2%	2033	369.6	2.3%	2033	40.2	2.6%	2033	2.7	1.3%
2034	164.2	2.2%	2034	377.9	2.3%	2034	41.3	2.6%	2034	2.7	1.3%
2035	167.8	2.2%	2035	386.5	2.3%	2035	42.4	2.6%	2035	2.8	1.3%
2036	171.6	2.2%	2036	395.2	2.3%	2036	43.5	2.6%	2036	2.8	1.3%
2037	175.4	2.2%	2037	404.2	2.3%	2037	44.7	2.7%	2037	2.9	1.3%
2038	179.3	2.2%	2038	413.3	2.3%	2038	45.9	2.7%	2038	2.9	1.3%
2039	183.3	2.2%	2039	422.6	2.3%	2039	47.1	2.7%	2039	2.9	1.3%
2040	187.4	2.2%	2040	432.2	2.3%	2040	48.4	2.7%	2040	3.0	1.3%

**Compound Average Annual Percent Change**

<b>1981-2011</b>	<b>3.0%</b>	<b>3.2%</b>	<b>7.0% (1985-2011)</b>	<b>4.8% (1985-2011)</b>
<b>2012-2040</b>	<b>2.4%</b>	<b>2.3%</b>	<b>3.0%</b>	<b>1.5%</b>

Primary Source: Moody's Analytics

Moody's Analytics

KRA

KRA

\* These estimates are for illustrative purposes only, since there were no TIB assessments prior to FY2010.

**TABLE 4**  
**Selected Economic and Revenue Metrics**  
**Transportation Infrastructure Bond Analysis - July 2012**

Vermont Transportation Fund Gasoline Tax Revenue - FY Basis Excluding TIB Assessments*			Vermont Transportation Fund Diesel Tax Revenue - FY Basis Excluding TIB Assessments*			Vermont Transportation Fund Gasoline Tax Base (Implied**) Fiscal Year Basis			Vermont Transportation Fund Diesel Tax Base (Implied**) Fiscal Year Basis		
	\$Millions	%ch		\$Millions	%ch		Millions of Gallons	%ch		Millions of Gallons	%ch
1981	21.4		1981	0.0		1981	237.3		1981		
1982	25.4	18.8%	1982	0.0		1982	233.3	-1.7%	1982		
1983	25.3	-0.2%	1983	NM		1983	230.2	-1.3%	1983		
1984	32.8	29.5%	1984	4.2		1984	298.0	29.5%	1984	29.9	
1985	32.6	-0.7%	1985	4.8	15.4%	1985	296.0	-0.7%	1985	34.5	15.4%
1986	33.3	2.1%	1986	5.3	8.7%	1986	302.3	2.1%	1986	37.5	8.7%
1987	34.3	3.2%	1987	5.9	12.3%	1987	263.9	-12.7%	1987	42.2	12.3%
1988	36.4	6.0%	1988	6.1	2.7%	1988	279.8	6.0%	1988	43.3	2.7%
1989	37.4	2.9%	1989	6.5	6.6%	1989	288.0	2.9%	1989	46.1	6.6%
1990	43.7	16.8%	1990	9.9	52.7%	1990	291.4	1.2%	1990	49.3	6.8%
1991	40.9	-6.3%	1991	10.6	7.5%	1991	272.9	-6.3%	1991	48.2	-2.3%
1992	45.4	10.8%	1992	10.3	-2.6%	1992	302.4	10.8%	1992	46.9	-2.6%
1993	44.4	-2.1%	1993	11.2	8.8%	1993	296.0	-2.1%	1993	51.0	8.8%
1994	48.1	8.3%	1994	10.6	-6.0%	1994	320.5	8.3%	1994	48.0	-6.0%
1995	46.2	-3.9%	1995	11.2	5.9%	1995	308.2	-3.9%	1995	50.8	5.9%
1996	47.3	2.4%	1996	11.1	-0.6%	1996	315.6	2.4%	1996	50.5	-0.6%
1997	47.3	-0.1%	1997	11.0	-1.3%	1997	315.2	-0.1%	1997	49.8	-1.3%
1998	59.1	25.0%	1998	13.6	24.1%	1998	328.9	4.4%	1998	61.9	24.1%
1999	61.3	3.7%	1999	14.5	6.6%	1999	336.1	2.2%	1999	65.9	6.6%
2000	62.1	1.3%	2000	14.9	2.9%	2000	340.5	1.3%	2000	67.9	2.9%
2001	63.0	1.4%	2001	17.8	19.3%	2001	345.2	1.4%	2001	71.3	5.1%
2002	63.1	0.2%	2002	15.5	-12.9%	2002	336.6	-2.5%	2002	62.1	-12.9%
2003	64.8	2.6%	2003	16.4	5.7%	2003	355.2	5.5%	2003	65.7	5.7%
2004	65.1	0.5%	2004	17.2	4.6%	2004	356.8	0.5%	2004	68.7	4.6%
2005	65.5	0.7%	2005	16.4	-4.6%	2005	359.4	0.7%	2005	65.5	-4.6%
2006	63.8	-2.7%	2006	17.7	8.3%	2006	350.0	-2.6%	2006	70.9	8.3%
2007	63.6	-0.3%	2007	18.5	4.1%	2007	348.6	-0.4%	2007	73.9	4.1%
2008	62.6	-1.6%	2008	16.6	-10.2%	2008	343.0	-1.6%	2008	66.4	-10.2%
2009	60.6	-3.1%	2009	15.5	-6.5%	2009	332.4	-3.1%	2009	62.0	-6.5%
2010	61.0	0.6%	2010	15.1	-2.6%	2010	334.4	0.6%	2010	60.4	-2.6%
2011	60.6	-0.6%	2011	15.4	2.0%	2011	332.4	-0.6%	2011	61.6	2.0%
2012	59.3	-2.2%	2012	16.0	3.9%	2012	324.9	-2.2%	2012	64.0	3.9%
2013	60.3	1.7%	2013	16.2	1.2%	2013	330.5	1.7%	2013	64.8	1.2%
2014	61.4	1.8%	2014	16.7	3.1%	2014	336.5	1.8%	2014	66.8	3.1%
2015	62.2	1.3%	2015	17.1	2.4%	2015	340.9	1.3%	2015	68.4	2.4%
2016	62.9	1.1%	2016	17.5	2.3%	2016	344.8	1.1%	2016	70.0	2.3%
2017	63.4	0.8%	2017	17.8	1.7%	2017	347.5	0.8%	2017	71.2	1.7%
2018	63.6	0.3%	2018	17.9	0.7%	2018	348.5	0.3%	2018	71.7	0.7%
2019	63.7	0.2%	2019	18.1	0.8%	2019	349.1	0.2%	2019	72.2	0.8%
2020	63.9	0.3%	2020	18.2	0.9%	2020	350.1	0.3%	2020	72.9	0.9%
2021	64.1	0.4%	2021	18.4	1.0%	2021	351.4	0.4%	2021	73.6	1.0%
2022	64.3	0.4%	2022	18.6	1.0%	2022	352.7	0.4%	2022	74.3	1.0%
2023	64.6	0.4%	2023	18.8	1.3%	2023	354.0	0.4%	2023	75.3	1.3%
2024	64.8	0.3%	2024	19.1	1.3%	2024	355.2	0.3%	2024	76.3	1.3%
2025	64.9	0.2%	2025	19.3	1.2%	2025	356.0	0.2%	2025	77.2	1.2%
2026	65.1	0.2%	2026	19.5	1.2%	2026	356.8	0.2%	2026	78.2	1.2%
2027	65.3	0.3%	2027	19.8	1.3%	2027	357.8	0.3%	2027	79.1	1.3%
2028	65.5	0.3%	2028	20.0	1.3%	2028	358.8	0.3%	2028	80.2	1.3%
2029	65.6	0.3%	2029	20.3	1.3%	2029	359.7	0.3%	2029	81.2	1.3%
2030	65.8	0.3%	2030	20.6	1.3%	2030	360.7	0.3%	2030	82.2	1.3%
2031	66.0	0.3%	2031	20.8	1.3%	2031	361.7	0.3%	2031	83.3	1.3%
2032	66.2	0.3%	2032	21.1	1.3%	2032	362.7	0.3%	2032	84.4	1.3%
2033	66.3	0.3%	2033	21.4	1.3%	2033	363.7	0.3%	2033	85.5	1.3%
2034	66.5	0.3%	2034	21.6	1.3%	2034	364.6	0.3%	2034	86.6	1.3%
2035	66.7	0.3%	2035	21.9	1.3%	2035	365.6	0.3%	2035	87.7	1.3%
2036	66.9	0.3%	2036	22.2	1.3%	2036	366.6	0.3%	2036	88.8	1.3%
2037	67.1	0.3%	2037	22.5	1.3%	2037	367.6	0.3%	2037	90.0	1.3%
2038	67.3	0.3%	2038	22.8	1.3%	2038	368.6	0.3%	2038	91.1	1.3%
2039	67.4	0.3%	2039	23.1	1.3%	2039	369.6	0.3%	2039	92.3	1.3%
2040	67.6	0.3%	2040	23.4	1.3%	2040	370.6	0.3%	2040	93.5	1.3%

**Compound Average Annual Percent Change**

<b>1981-2011</b>	<b>3.5%</b>	<b>4.9% (1984-2011)</b>	<b>1.1%</b>	<b>2.7% (1984-2011)</b>
<b>2012-2040</b>	<b>0.5%</b>	<b>1.4%</b>	<b>0.5%</b>	<b>1.4%</b>

Primary Sources: Vermont JFO and KRA

Vermont JFO and KRA

Vermont JFO and KRA

Vermont JFO and KRA

\* These revenues exclude the new TIB assessments, which were first implemented in FY2010.

\*\* Taxable gallonage figures derived from actual revenue data.

**TABLE 5**  
**Selected Economic and Revenue Metrics**  
**Transportation Infrastructure Bond Analysis - July 2012**

Vermont "Blended" Average Gasoline Price Calendar Year Basis		Vermont TIB Revenues from Gasoline Assessment Fiscal Year Basis		Vermont TIB Revenues from Diesel Assessment Fiscal Year Basis		Vermont TIB Revenues Total Assessments Fiscal Year Basis	
\$ per Gallon	%ch	\$Millions	%ch	\$Millions	%ch	\$Millions	%ch
1981		1981		1981		1981	
1982		1982		1982		1982	
1983		1983		1983		1983	
1984		1984		1984		1984	
1985	1.21	1985		1985		1985	
1986	0.94 -22.2%	1986		1986		1986	
1987	0.97 2.8%	1987		1987		1987	
1988	0.97 0.6%	1988		1988		1988	
1989	1.07 10.1%	1989		1989		1989	
1990	1.23 14.8%	1990		1990		1990	
1991	1.22 -0.8%	1991		1991		1991	
1992	1.16 -4.6%	1992		1992		1992	
1993	1.12 -3.5%	1993		1993		1993	
1994	1.12 -0.2%	1994		1994		1994	
1995	1.18 5.1%	1995		1995		1995	
1996	1.24 4.9%	1996		1996		1996	
1997	1.26 1.8%	1997		1997		1997	
1998	1.07 -14.7%	1998		1998		1998	
1999	1.16 8.0%	1999		1999		1999	
2000	1.55 33.4%	2000		2000		2000	
2001	1.47 -5.1%	2001		2001		2001	
2002	1.36 -7.4%	2002		2002		2002	
2003	1.59 17.3%	2003		2003		2003	
2004	1.88 17.8%	2004		2004		2004	
2005	2.31 23.2%	2005		2005		2005	
2006	2.59 12.1%	2006		2006		2006	
2007	2.81 8.4%	2007		2007		2007	
2008	3.35 19.2%	2008		2008		2008	
2009	2.34 -30.0%	2009		2009		2009	
2010	2.82 20.4%	2010	13.4	2010	1.5	2010	14.9
2011	3.59 27.3%	2011	16.5 23.6%	2011	2.0 31.7%	2011	18.5 24.4%
2012	3.62 0.7%	2012	20.9 26.6%	2012	1.9 -1.4%	2012	22.8 23.6%
2013	3.67 1.6%	2013	21.0 0.7%	2013	2.1 6.3%	2013	23.1 1.2%
2014	3.89 6.0%	2014	22.1 4.9%	2014	2.1 3.1%	2014	24.2 4.7%
2015	4.08 4.8%	2015	23.8 7.7%	2015	2.2 2.4%	2015	25.9 7.2%
2016	4.19 2.6%	2016	25.2 5.9%	2016	2.2 2.3%	2016	27.4 5.6%
2017	4.29 2.4%	2017	26.1 3.7%	2017	2.3 1.7%	2017	28.4 3.5%
2018	4.38 2.1%	2018	26.8 2.9%	2018	2.3 0.7%	2018	29.1 2.7%
2019	4.47 2.1%	2019	27.5 2.5%	2019	2.3 0.8%	2019	29.8 2.4%
2020	4.57 2.3%	2020	28.2 2.6%	2020	2.3 0.9%	2020	30.5 2.5%
2021	4.68 2.5%	2021	29.0 2.9%	2021	2.3 1.0%	2021	31.4 2.8%
2022	4.79 2.3%	2022	29.9 3.0%	2022	2.4 1.0%	2022	32.3 2.9%
2023	4.89 2.0%	2023	30.8 2.8%	2023	2.4 1.3%	2023	33.2 2.7%
2024	5.00 2.4%	2024	31.6 2.6%	2024	2.4 1.3%	2024	34.0 2.5%
2025	5.12 2.4%	2025	32.5 2.8%	2025	2.5 1.2%	2025	34.9 2.7%
2026	5.25 2.5%	2026	33.4 2.9%	2026	2.5 1.2%	2026	35.9 2.7%
2027	5.38 2.4%	2027	34.4 3.0%	2027	2.5 1.3%	2027	36.9 2.9%
2028	5.51 2.3%	2028	35.4 2.9%	2028	2.5 1.3%	2028	37.9 2.8%
2029	5.63 2.2%	2029	36.3 2.8%	2029	2.6 1.3%	2029	38.9 2.7%
2030	5.75 2.2%	2030	37.3 2.6%	2030	2.6 1.3%	2030	39.9 2.5%
2031	5.87 2.1%	2031	38.3 2.6%	2031	2.6 1.3%	2031	40.9 2.5%
2032	6.00 2.1%	2032	39.2 2.5%	2032	2.7 1.3%	2032	41.9 2.5%
2033	6.13 2.2%	2033	40.2 2.6%	2033	2.7 1.3%	2033	43.0 2.5%
2034	6.26 2.2%	2034	41.3 2.6%	2034	2.7 1.3%	2034	44.0 2.5%
2035	6.40 2.2%	2035	42.4 2.6%	2035	2.8 1.3%	2035	45.2 2.6%
2036	6.55 2.3%	2036	43.5 2.6%	2036	2.8 1.3%	2036	46.3 2.6%
2037	6.69 2.3%	2037	44.7 2.7%	2037	2.9 1.3%	2037	47.5 2.6%
2038	6.85 2.3%	2038	45.9 2.7%	2038	2.9 1.3%	2038	48.8 2.6%
2039	7.00 2.3%	2039	47.1 2.7%	2039	2.9 1.3%	2039	50.1 2.6%
2040	7.16 2.3%	2040	48.4 2.7%	2040	3.0 1.3%	2040	51.4 2.6%

**Compound Average Annual Percent Change**

<b>1991-2011</b>	<b>5.5%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>
<b>2012-2040</b>	<b>2.5%</b>	<b>3.0%</b>	<b>1.5%</b>	<b>2.9%</b>

Primary Sources: VT PSD, Moody's, EIA, KRA

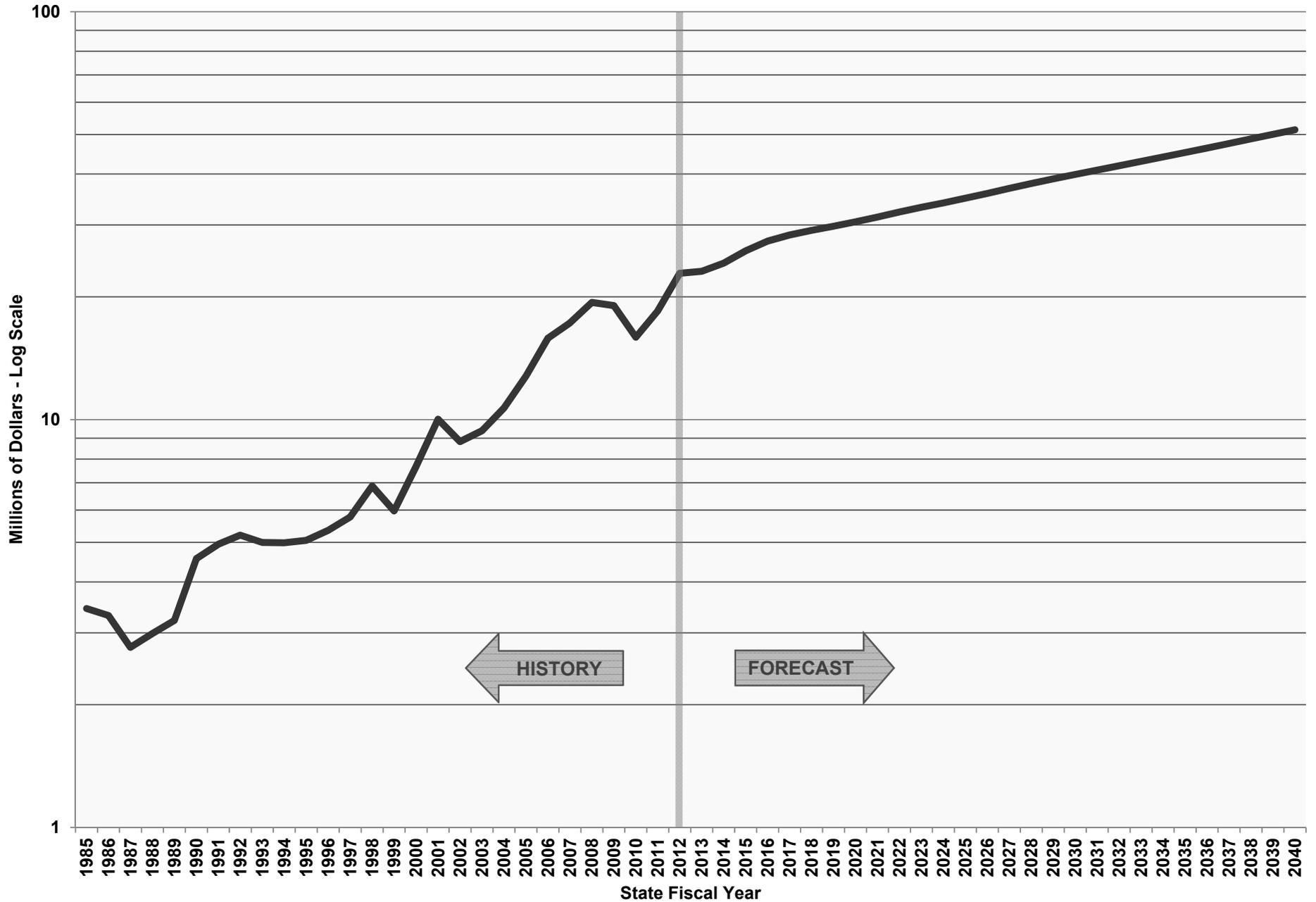
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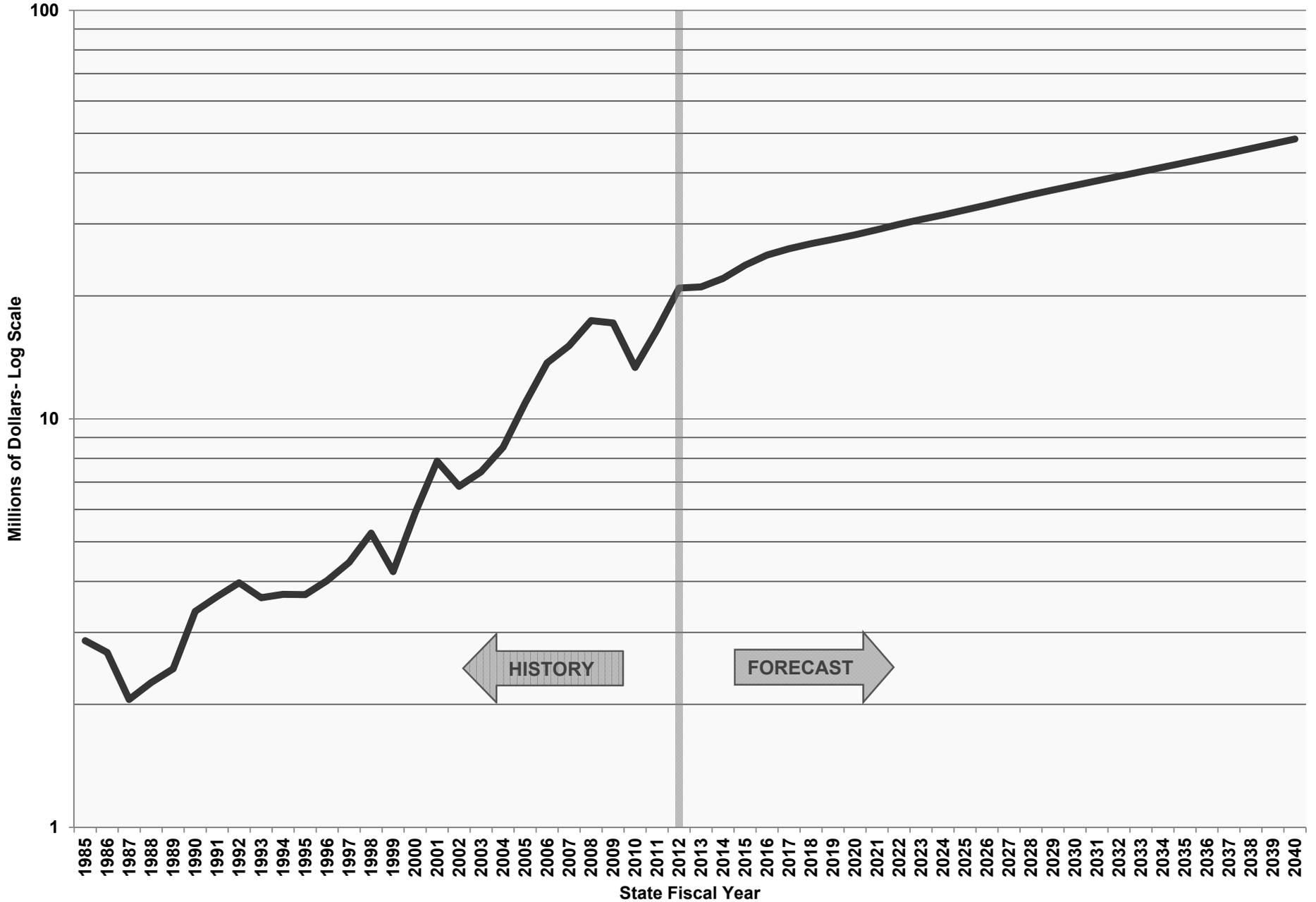
# Pro Forma Vermont Total TIB Assessment Revenues

Sources: Vermont Joint Fiscal Office, KRA



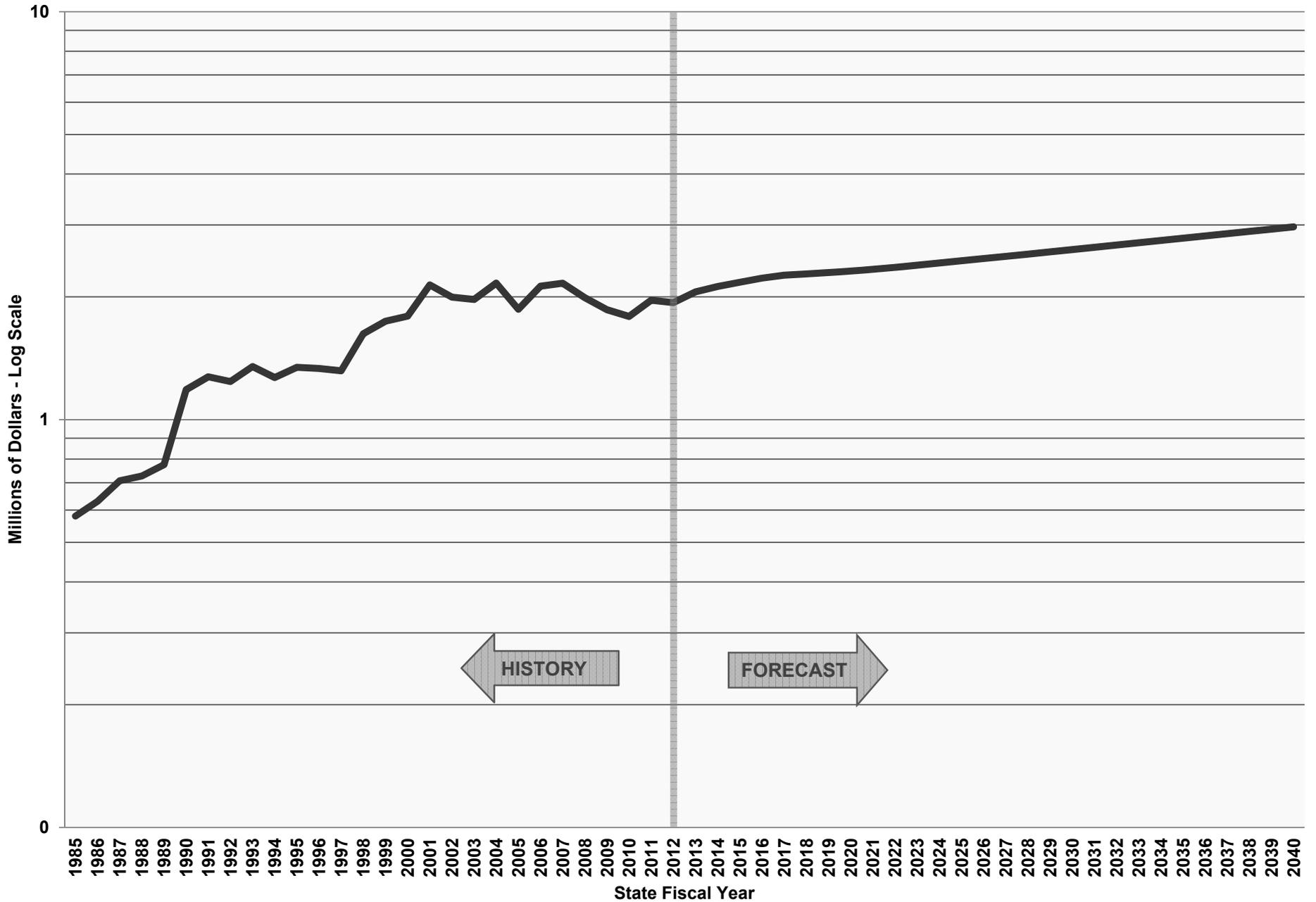
# Pro Forma Vermont TIB Gasoline Assessment Revenues

Sources: Vermont Joint Fiscal Office, KRA



# Pro Forma Vermont TIB Diesel Assessment Revenues

Sources: Vermont Joint Fiscal Office, KRA



# **APPENDIX B**

**TABLE 6: DEBT SERVICE CAPACITY SUMMARY FOR  
PROJECTED \$97.7M AGGREGATE PAR AMOUNT OF TIBS,  
BASED ON REVENUE PROJECTIONS IN  
FEASIBILITY STUDY ASSOCIATED WITH STATE OF VERMONT  
TRANSPORTATION INFRASTRUCTURE BONDS  
DATED JULY 23, 2012**

**TABLE 6**  
**State of Vermont**  
**Transportation Infrastructure Revenue Bonds**

**Pro Forma Debt Service Schedule for TIBs Issued from FY2011 Through FY2016\***

Maturity Date	Fiscal Year	\$13.260 Million** 2010 Series A Debt Service (Actual)	\$10.09 Million 2012 Series A Debt Service (Estimated)	2013 Series A Debt Service (Projected)	2014 Series A Debt Service (Projected)	2015 Series A Debt Service (Projected)	2016 Series A Debt Service (Projected)	Grand Total Fiscal Year Debt Service (Projected)	MFTIA Revenue (FY12 Prelim., All Other Projected)	Debt Service Coverage (Projected)
6/15/2012	2012	\$991,563						\$991,563	\$22,836,887	23.03
6/15/2013	2013	\$990,063	\$635,988					\$1,626,050	\$23,100,631	14.21
6/15/2014	2014	\$993,363	\$713,950	\$1,297,056				\$3,004,369	\$24,189,047	8.05
6/15/2015	2015	\$991,363	\$714,750	\$1,408,000	\$1,342,002			\$4,456,114	\$25,938,529	5.82
6/15/2016	2016	\$994,163	\$714,950	\$1,405,600	\$1,456,200	\$1,395,872		\$5,966,785	\$27,392,723	4.59
6/15/2017	2017	\$991,663	\$714,550	\$1,407,750	\$1,453,200	\$1,508,800	\$1,453,363	\$7,529,325	\$28,354,529	3.77
6/15/2018	2018	\$990,788	\$713,550	\$1,407,000	\$1,454,750	\$1,510,200	\$1,570,550	\$7,646,838	\$29,116,534	3.81
6/15/2019	2019	\$994,538	\$716,950	\$1,404,750	\$1,453,000	\$1,511,000	\$1,571,200	\$7,651,438	\$29,800,891	3.89
6/15/2020	2020	\$991,113	\$714,550	\$1,406,000	\$1,454,750	\$1,508,000	\$1,571,250	\$7,645,663	\$30,538,692	3.99
6/15/2021	2021	\$990,563	\$716,550	\$1,405,500	\$1,454,750	\$1,508,500	\$1,572,000	\$7,647,863	\$31,383,155	4.10
6/15/2022	2022	\$994,413	\$717,750	\$1,408,250	\$1,453,000	\$1,507,250	\$1,571,000	\$7,651,663	\$32,291,521	4.22
6/15/2023	2023	\$992,513	\$713,150	\$1,409,000	\$1,454,500	\$1,509,250	\$1,573,250	\$7,651,663	\$33,158,456	4.33
6/15/2024	2024	\$995,013	\$712,950	\$1,407,750	\$1,454,000	\$1,509,250	\$1,573,500	\$7,652,463	\$33,994,105	4.44
6/15/2025	2025	\$994,825	\$716,950	\$1,404,500	\$1,456,500	\$1,512,250	\$1,571,750	\$7,656,775	\$34,905,817	4.56
6/15/2026	2026	\$991,825	\$715,450	\$1,404,250	\$1,451,750	\$1,508,000	\$1,573,000	\$7,644,275	\$35,865,422	4.69
6/15/2027	2027	\$992,950	\$717,850	\$1,406,750	\$1,455,000	\$1,511,750	\$1,572,000	\$7,656,300	\$36,892,112	4.82
6/15/2028	2028	\$990,888	\$714,250	\$1,406,750	\$1,455,750	\$1,508,000	\$1,573,750	\$7,649,388	\$37,912,394	4.96
6/15/2029	2029	\$992,700	\$715,950	\$1,404,250	\$1,454,000	\$1,512,000	\$1,573,000	\$7,651,900	\$38,918,027	5.09
6/15/2030	2030	\$993,200	\$715,750	\$1,404,250	\$1,454,750	\$1,508,250	\$1,569,750	\$7,645,950	\$39,904,531	5.22
6/15/2031	2031	\$0	\$716,100	\$1,406,500	\$1,452,750	\$1,512,000	\$1,574,000	\$6,661,350	\$40,914,608	6.14
6/15/2032	2032	\$0	\$715,850	\$1,405,750	\$1,453,000	\$1,507,750	\$1,570,250	\$6,652,600	\$41,922,766	6.30
6/15/2033	2033	\$0	\$0	\$1,407,000	\$1,455,250	\$1,510,750	\$1,573,750	\$5,946,750	\$42,961,600	7.22
6/15/2034	2034	\$0	\$0	\$0	\$1,454,250	\$1,510,500	\$1,574,000	\$4,538,750	\$44,049,211	9.71
6/15/2035	2035	\$0	\$0	\$0	\$0	\$1,512,000	\$1,571,000	\$3,083,000	\$45,173,526	14.65
6/15/2036	2036	\$0	\$0	\$0	\$0	\$0	\$1,569,750	\$1,569,750	\$46,327,943	29.51
		\$18,857,500	\$14,227,788	\$28,016,656	\$28,973,152	\$30,081,372	\$31,322,113	\$151,478,580	\$657,843,657	

\* Debt service schedule was provided to KRA by Public Resources Advisory Group, Inc. It reflects actual debt service on the 2010A TIBs and estimated debt service on the 2012A TIBs assuming a par amount of \$10.09 million and an assumed rate of interest of 3.65%. Projected debt service for Bonds to be issued subsequent to the 2012A TIBs is based upon bond par amounts sized to generate approximately \$17.8 million in annual project fund proceeds and interest rates that are assumed to increase 50 basis points annually. The actual bond issues will also fund debt service reserve fund deposits and costs of issuance. The State is not obligated to follow this pro forma schedule and, subject to compliance with the terms of the Trust Agreement, may choose to issue more or less Bonds and to do so at different times than shown in this table.

\*\* Current outstanding aggregate principal amount of the 2010A TIBs originally issued in FY11.

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**APPENDIX B**

**SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT**

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## SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The Trust Agreement dated as of July 1, 2010 (the “Trust Agreement”) between the State of Vermont (the “State”) and People’s United Bank, as Trustee (the “Trustee”) contains terms and conditions relating to the issuance and sale of transportation infrastructure bonds issued pursuant to Subchapter 4 of Title 32 of the Vermont Statutes Annotated. For purposes of this summary, all references to “Bonds” shall refer to such transportation infrastructure bonds. This summary does not purport to be comprehensive or definitive and is subject to all provisions of the Trust Agreement, to which reference is hereby made.

### Definitions

The following is a summary of certain terms used in the Trust Agreement, the Second Supplemental Agreement, this Appendix B and otherwise used in this Official Statement.

“Additional Bonds” shall mean Bonds of the State issued pursuant to the Trust Agreement.

“Additional Pledged Funds” shall mean any funds in addition to the Pledged Funds that the State may pledge under the Trust Agreement.

“Adjusted Bond Debt Service Requirements” shall mean, for any period for which such calculation shall be made pursuant to the Trust Agreement in connection with the issuance of Additional Bonds or Refunding Bonds, aggregate Bond Debt Service Requirements on Bonds Outstanding during such period, taking into account the following adjustments:

- (i) With respect to Variable Rate Bonds, the aggregate Bond Debt Service Requirements thereon shall be determined based upon an interest rate equal to the Variable Rate Ceiling; provided, however, if the State (1) enters into a Qualified Hedge Agreement with a Hedge Provider requiring the State to pay a fixed interest rate or providing for a maximum interest rate on a notional amount, and (2) has made a determination that such Qualified Hedge Agreement was entered into for the purpose of providing substitute interest payments or limiting the potential increase in the interest rate for a particular maturity of Bonds in a principal amount equal to the notional amount of the Qualified Hedge Agreement, then during the term of such Qualified Hedge Agreement and so long as the Hedge Provider under such Qualified Hedge Agreement is not in default under such Qualified Hedge Agreement, the interest rate on such Bonds shall be determined as if such Bonds bore interest at the fixed interest rate or maximum interest rate, as the case may be, payable by the State under such Qualified Hedge Agreement;
- (ii) with respect to Fixed Rate Bonds, if the State (1) enters into a Qualified Hedge Agreement with a Hedge Provider requiring the State to pay a variable interest rate on a notional amount and (2) has made a determination that such Qualified Hedge Agreement was entered into for the purpose of providing substitute interest payments for a particular maturity of Bonds in a principal amount equal to the notional amount of the Qualified Hedge Agreement, then during the term of such Qualified Hedge Agreement and so long as the Hedge Provider under such Qualified Hedge Agreement is not in default under such Qualified Hedge Agreement, the interest rate on such Bonds shall be determined as if such Bonds bore interest at the Assumed Hedge Rate;
- (iii) with respect to Tender Bonds, the aggregate Bond Debt Service Requirements thereon shall not include amounts payable upon mandatory or optional tender, but shall be deemed to include all periodic Bond Related Costs and other payments to the provider of any Liquidity Facility, and shall not be based upon the terms of any Reimbursement Obligation to such provider except to the extent and for periods during which Bond Related Costs and other payments are required to be made pursuant to such Reimbursement Obligation due to such provider advancing funds for which remarketing proceeds are not otherwise available;

- (iv) with respect to Build America Bonds, the aggregate Bond Debt Service Requirements thereon shall be reduced by an amount equal to any subsidy payments expected to be received during the applicable period by the State from the federal government with respect to a portion of the interest payable on such Build America Bonds;
- (v) with respect to Bonds that have Credit Enhancement, the aggregate Bond Debt Service Requirements thereon shall be deemed to include all periodic Bond Related Costs and other payments to the provider of the Credit Enhancement, but shall not be based upon the terms of any Reimbursement Obligation to such provider except to the extent and for periods during which Bond Related Costs and other payments are required to be made pursuant to such Reimbursement Obligation due to such provider advancing funds for which remarketing proceeds are not otherwise available;
- (vi) the amount of any investment earnings and return of principal or projected investment earnings and projected return of principal, as the case may be, allocable to amounts in the Debt Service Reserve Fund shall be deducted from the Adjusted Bond Debt Service Requirements for the applicable period; and
- (vii) The amount of any principal of any of the Refunded Bonds paid or to be paid from an Escrow Account pursuant to the any Supplemental Agreement shall be deducted from the Adjusted Bond Debt Service Requirements for the applicable period.

“Advance Refunded Municipal Bonds” shall mean any 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 (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (ii) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations which fund may be applied only to the payment of interest when due, principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable notice, as appropriate, and (iii) as to which the principal of and interest on the Government Obligations which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable notice referred to in subclause (i) above, as appropriate.

“Applicable Supplemental Trust Agreement” shall mean with respect to any Series of Bonds, the Supplemental Trust Agreement authorizing such Series of Bonds.

“Appreciated Value” shall mean with respect to Bonds that are Deferred Income Bonds until the Interest Commencement Date thereon, an amount equal to the principal amount of such Deferred Income Bond (determined on the basis of the initial principal amount per \$5,000 at the Interest Commencement Date thereof) plus the amount, assuming compounding (as set forth in the Applicable Supplemental Trust Agreement) of earnings which would be produced on the investment of such initial amount, beginning on the dated date of such Deferred Income Bond and ending on the Interest Commencement Date, at a yield which, if produced until the Interest Commencement Date, will produce \$5,000 at the Interest Commencement Date. As of any Valuation Date, the Appreciated Value of any Bonds that are Deferred Income Bonds shall mean the amount set forth for such date in the Applicable Supplemental Trust Agreement and as of any date other than a Valuation Date, the sum of (i) the Appreciated Value on the preceding Valuation Date and (ii) the product of (1) a fraction, the numerator of which is the number of days having elapsed from and including the preceding Valuation Date to the Valuation Date and the denominator of which is the number of days from and including such preceding Valuation Date to and including the next succeeding Valuation Date, and (2) the difference between the Appreciated Values for such Valuation Dates.

“Authorized Officer” shall mean the Treasurer or any designee thereof and, when used in reference to an act or document, shall also mean any other person authorized by law to perform such act or sign such document.

“Bond Authorizations” shall mean such provisions of the laws of the State authorizing Bonds to be issued under the provisions of the TIB Statute.

“Bond Counsel” shall mean any lawyer or firm of lawyers nationally recognized in the field of municipal finance and selected by the Treasurer.

“Bond Debt Service Requirement” shall mean, for any period of calculation, the aggregate of the interest, principal amount, and Sinking Fund Payments due or to become due other than by reason of redemption at the option of the State or the registered owner of any Bonds on all Bonds Outstanding during such period; provided, however, for purposes of this definition, the scheduled principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of Sinking Fund Payments shall be included in the calculations in such manner and during such period of time as is specified in the Applicable Supplemental Trust Agreement authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

“Bondholder” or “Holder,” when used with reference to Bonds, shall mean the Registered Owner of the Bonds from time to time as shown on the register for a particular Series of Bonds held by the Paying Agent for such Series of Bonds.

“Bond Related Costs” shall mean the “associated costs of bonds,” as defined in the TIB Statute, including without limitation, all costs, fees and expenses of the State incurred or related to any Liquidity Facility, Credit Enhancement, Reserve Credit Facility, any remarketing or other secondary market transactions, any fees of Bond Counsel, attorneys, financial advisors, Fiduciaries, remarketing agents, rebate consultants, accountants and other advisors retained by the State in connection with a Series, and any other fees, charges and expenses that may be lawfully incurred by the State to a provider of any Credit Enhancement, Liquidity Facility or Reserve Credit Facility, other than amounts paid as the Costs of Issuance for a Series, to repay or reimburse any amounts paid by such provider due to a payment under such Credit Enhancement, Liquidity Facility or Reserve Credit Facility and any interest on such repayment obligation unless any such amount constitutes a Bond Debt Service Requirement for such Series.

“Bond Related Costs Fund” shall mean the fund so designated and created by the Trust Agreement.

“Bonds” shall mean any of the Bonds of the State authenticated and delivered under the Trust Agreement.

“Build America Bonds” shall have the meaning set forth in Section 54AA of the Code.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commissioner of the Department of Finance and Management” shall mean the Commissioner of the Department of Finance and Management of the State or a Deputy Commissioner or designee acting in his or her stead.

“Costs of Issuance” shall mean all items of expense directly or indirectly payable or reimbursable by or to the State and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Fiduciaries, legal fees and charges, fees and disbursements of consultants and professionals, costs and expenses of refunding, fees, expenses and other amounts payable to any underwriters of the Bonds, accrued interest payable upon the initial investment of the proceeds of Bonds, fees and expenses payable in connection with any Credit Enhancement, Liquidity Facility or Reserve Credit Facility, fees and expenses payable in connection with any remarketing agreements or interest rate indexing agreements payable in connection with the original issuance of the Bonds and any other cost, charge or fee payable in connection with the original issuance of Bonds.

“Credit Enhancement” shall mean any agreement, including, but not limited to a policy of bond insurance, surety bond, irrevocable letter of credit, credit agreement, credit facility or guaranty arrangement with a bank, trust company, insurance company, surety bonding company, pension fund or other financial institution that provides increased credit on or security for any Series (or portion thereof) of Bonds and, to the extent authorized by a Supplemental Trust Agreement, may include a Reserve Credit Facility.

“Debt Service Fund Requirement” shall mean, as of any particular date of computation, the amount of money obtained by aggregating the several sums, computed with respect to the Bonds of each Series Outstanding of (i) any unpaid interest due on such Bonds at or before said date and all unpaid interest on such Bonds accrued but not due at said date, (ii) the principal amount of any such Bonds matured and unpaid at or before said date, and (iii) with respect to any Principal Installment of any Bonds not included in (ii) above, but payable on the next succeeding Principal Installment payment date other than by reason of redemption at the option of the State or the Holder of any Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such Principal Installment payment date.

“Debt Service Reserve Fund Requirement” shall mean, as of any particular date of computation and subject to the proviso below, the amount described in (i), (ii) or (iii) below, whichever amount is the smallest:

- (i) ten percent (10%) of the original principal amount of all Series of Bonds Outstanding, provided that if a Series had more than a de minimis amount (as defined in U. S. Treas. Reg. §1.148-1) of original issue discount or premium, the issue price (as so defined) of such Series, net of pre-issuance accrued interest (as so defined), shall be used to measure said ten percent limitation in lieu of the original principal amount;
- (ii) one hundred twenty-five percent (125%) of the average annual aggregate amount of Principal Installments and interest (which interest shall be reduced by an amount equal to any subsidy payment expected to be received by the State from the federal government with respect to a portion of the interest payable on any Series of Bonds issued as Build America Bonds) becoming due in any Fiscal Year on all Bonds Outstanding, using the Assumed Rate for any Variable Rate Bonds (or any Reimbursement Obligations issued in connection therewith which are deemed to be Bonds as described in “Credit Enhancement/Liquidity Facilities” below); or
- (iii) one hundred percent (100%) of the maximum aggregate amount of Principal Installments and interest (which interest shall be reduced by an amount equal to any subsidy payment expected to be received by the State from the federal government with respect to a portion of the interest payable on any Series of Bonds issued as Build America Bonds) becoming due in the current or any future Fiscal Year on all Bonds Outstanding, using the Assumed Rate for any Variable Rate Bonds (or any Reimbursement Obligations issued in connection therewith which are deemed to be Bonds as described in “Credit Enhancement/Liquidity Facilities” below), less, in any such Fiscal Year, any amounts received as payment of accrued interest from the sale of any Bonds which amounts are deposited in the Debt Service Fund.

“Defeasance Obligations” shall mean Government Obligations and Advance Refunded Municipal Bonds.

“Fiduciary” shall mean the Trustee or any Paying Agent.

“Fiscal Year” shall mean the period beginning on July 1 of any calendar year and ending on June 30 of the succeeding calendar year or such other period of twelve consecutive calendar months as may be provided by law as the fiscal year of the State.

“Funded Debt Service Reserve Fund Requirement” shall mean, as of any particular date of computation, an amount equal to the Debt Service Reserve Fund Requirement less the stated and unpaid amounts of all Reserve Credit Facilities. The Funded Debt Service Reserve Fund Requirement shall, to the extent authorized by a Supplemental Trust Agreement, include any amount required to reimburse any provider of a Reserve Credit Facility upon any drawing of amounts thereunder.

“Governor” shall mean the Governor of the State or the Lieutenant Governor of the State at any time under the laws of State the Lieutenant Governor is permitted to act in his or her stead.

“Government Obligations” shall mean direct general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Hedge Provider” shall mean the counterparty with whom the State enters into a Qualified Hedge Agreement.

“Interest Commencement Date” shall mean with respect to any Deferred Income Bonds, the date specified in the Applicable Supplemental Trust Agreement (which date must be prior to the maturity date for such Deferred Income Bonds), after which interest accruing on such Deferred Income Bonds shall be payable with the first such payment date being the applicable interest payment date immediately succeeding such Interest Commencement Date.

“Liquidity Facility” shall mean any agreement with a bank, trust company, insurance company, surety bonding company, pension fund or financial institution under which it agrees to purchase Tender Bonds.

“Motor Fuel Transportation Infrastructure Assessments” shall mean, collectively, the Motor Fuel Transportation Infrastructure Assessment imposed by Section 3003(a) of Title 23 of the Vermont Statutes Annotated and the Motor Fuel Transportation Infrastructure Assessment imposed by Section 3106(a) of Title 23 of the Vermont Statutes Annotated, in effect as of the date of issuance of the Initial Bonds.

“Outstanding,” when used with reference to Bonds, shall mean as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond canceled by the State or a Fiduciary at or before said date, (ii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered and (iii) Bonds deemed to have been paid as described under the heading “Defeasance” below.

“Paying Agent” shall mean any paying agent or co-paying agent for Bonds of any Series appointed pursuant to the Trust Agreement or an Applicable Supplemental Trust Agreement and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Trust Agreement.

“Permitted Investments” shall mean and include any of the following, if and to the extent the same are at the time legal for investment of State funds:

- (i) obligations of the United States, its agencies and instrumentalities, which have a liquid market with readily determinable market value;
- (ii) certificates of deposit and other evidences of deposit at banks and savings and loan association approved by the treasurer;
- (iii) bankers’ acceptances issued by domestic banks where the guaranteeing bank is rated in the highest tier assigned to the investments by at least two nationally recognized rating agencies;
- (iv) commercial paper rated in the highest tier by at least two nationally recognized rating agencies;
- (v) investment-grade obligations of state or local governments, instrumentalities, and public authorities;
- (vi) repurchase agreements whose underlying purchased securities consist of any of the investments specified in subdivisions (i) through (v) of this definition;
- (vii) investment agreements or guaranteed investment contracts rated or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, in the highest tier assigned to such investments by a

nationally recognized rating agency, and where the treasurer has the option to terminate each agreement in the event such rating is downgraded below the highest rating tier; and

- (viii) money market mutual funds that either are regulated by the securities and exchange commission and whose portfolios consist only of dollar-denominated securities or are managed in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940.

“Pledged Funds” shall mean and include the following:

- (i) all moneys received or to be received by the State from the Motor Fuel Transportation Infrastructure Assessment imposed by Section 3003(a) of Title 23 of the Vermont Statutes Annotated, equal to three cents (\$0.03) per gallon of fuel sold, delivered or used under such section;
- (ii) all moneys received or to be received by the State from the Motor Fuel Transportation Infrastructure Assessment imposed by Section 3106(a) of Title 23 of the Vermont Statutes Annotated, equal to two percent (2%) of the retail price of motor fuels covered by such section, exclusive of all federal and state taxes, upon each gallon of motor fuel sold by a distributor; and
- (iii) to the extent permitted in the Trust Agreement, such Additional Pledged Funds as the State may by a subsequent Supplemental Trust Agreement pledge to the Trustee as security for the Bonds.

“Principal Installment” shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Bonds of said Series 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 Trust Agreement of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said future date for the retirement of any Outstanding Bonds of said Series.

“Project” shall mean any purpose authorized by Section 972(c) of the TIB Statute or by any other Bond Authorization for which Bonds may be issued under the provisions of the TIB Statute.

“Qualified Hedge Agreement” shall mean an interest rate exchange, cap, floor or collar agreement between the State and a Hedge Provider based upon a notional amount, where (a) the Hedge Provider, or the person who guarantees the obligation of the Hedge Provider to make any payments due to the State, has unsecured long-term obligations rated, or (b) the hedge agreement itself is rated, in each case as of the date the hedge agreement is entered into, by each Rating Agency then maintaining a rating on the Bonds Outstanding in either (i) a Rating Category, with respect to each such Rating Agency, at least equal to “A,” but in no event lower than the Rating Category designated by such Rating Agency for the Bonds Outstanding subject to such hedge agreement or (ii) a lower Rating Category which any such Rating Agency indicates in writing to the State and the Trustee will not, by itself, result in a reduction or withdrawal of its rating on the Bonds Outstanding (without regard to Credit Enhancement) subject to such hedge agreement that is in effect prior to entering into such hedge agreement.

“Rating Agency” shall mean Fitch, Inc., Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and their respective successors or assigns.

“Rating Categories” shall mean rating categories as published by a Rating Agency in its written compilations of ratings and any written supplement or amendment thereto and any such Rating Category shall be determined on the generic rating without regard to any modifiers and, unless otherwise specified in the Trust Agreement or in an Applicable Supplemental Trust Agreement, shall be long term ratings.

“Rebate Fund Requirement” shall mean, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, calculated in accordance with each Applicable Supplemental Trust Agreement authorizing the

issuance of a Series of Tax Exempt Bonds as the amount required to be maintained in the Rebate Fund with respect to such Bonds.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof plus the premium, if any, payable upon redemption thereof.

“Registered Owner” or “owner” shall mean the registered owner of a Bond of a particular Series of Bonds as shown on the register for such Series of Bonds.

“Reserve Credit Facility” shall mean one or more of the following:

- (i) an irrevocable, unconditional and unexpired letter of credit or other financial commitment issued by a banking institution the unsecured long-term obligations of which are rated, by each Rating Agency then maintaining a rating on the Bonds Outstanding, at least equal to “A,” but in no event lower than the Rating Category designated by such Rating Agency for the Bonds Outstanding, or, if any such Rating Agency does not maintain a rating on such banking institution, it shall confirm that the deposit of the Reserve Credit Facility shall not result in a reduction of its rating on the Bonds Outstanding, or
- (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect and issued by a municipal bond insurer having a rating, from each Rating Agency then maintaining a rating on the Bonds Outstanding, at least equal to “A,” but in no event lower than the Rating Category designated by such Rating Agency for the Bonds Outstanding, or, if any such Rating Agency does not maintain a rating on such insurer, it shall confirm that the deposit of the Reserve Credit Facility shall not result in a reduction of its rating on Bonds Outstanding,

in each case providing for the payment of sums for the payment of Principal Installments and interest on Bonds in the manner provided under “Debt Service Reserve Fund” below.

“Series” when used with respect to less than all of the Bonds, shall mean such Bonds designated as a Series of Bonds pursuant to a Supplemental Trust Agreement.

“Sinking Fund Payment” shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, the amount of money required by any Supplemental Trust Agreement to be paid by the State on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the State by reason of the redemption of Bonds at the election of the State.

“State” shall mean the State of Vermont.

“Supplemental Trust Agreement” shall mean any Trust Agreement of the State amending or supplementing the Trust Agreement adopted and becoming effective in accordance with the terms of the Trust Agreement.

“Tax Exempt Bonds” shall mean any Bonds accompanied by a Bond Counsel’s opinion upon the original issuance thereof that the interest on such Bonds is not includable in the gross income of the holder thereof for Federal income tax purposes.

“TIB Statute” shall mean the provisions of Subchapter 4 of Chapter 13 of Title 32 of the Vermont Statutes Annotated, as amended from time to time.

“Transportation Fund” shall mean the Transportation Fund of the State so designated by Section 11 of Title 19 of the Vermont Statutes Annotated, as amended, or any other fund or account of the State or any agency thereof created in replacement thereof.

“Transportation Infrastructure Bond Fund” shall mean the special account of the Transportation Fund so designated and established pursuant to Section 11f of Title 19 of the Vermont Statutes Annotated, as amended, or any other fund or account of the State or any agency thereof created in replacement thereof.

“Treasurer” shall mean the Treasurer of the State or any Deputy Treasurer of the State acting on the Treasurer’s behalf.

“Trustee” shall mean the trustee appointed in accordance with the Trust Agreement, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Trust Agreement.

### **The Pledge**

There are pledged for the payment of principal and Redemption Price of and interest on the Bonds: (a) the Pledged Funds and all rights to receive the same, whether existing or coming into existence and whether held or thereafter acquired and including any proceeds thereof, (b) amounts, securities, Reserve Credit Facilities and any investment earnings with respect thereto in all Funds and Accounts held under the Trust Agreement other than the Rebate Fund, and (c) any amounts payable to the State by a Hedge Provider pursuant to a Qualified Hedge Agreement. The full faith and credit of the State has not been pledged to the payment of the Bonds.

The State may in any Supplemental Trust Agreement pledge any Additional Pledged Funds which the State may lawfully pledge to the payment of amounts due under the Trust Agreement. From and after the date of such Supplemental Trust Agreement such amounts shall be deemed part of the Pledged Funds under the Trust Agreement. No amounts may be pledged that are subject to any other lien or pledge unless such lien or pledge is made expressly subordinate to the pledge created under the Trust Agreement. (Pledge clause; Section 501)

### **Trust Agreement to Constitute Contract**

The Trust Agreement constitutes a contract between the State and the registered owners from time to time of the Bonds, and the pledge made in the Trust Agreement and the covenants and agreements therein set forth to be performed by or on behalf of the State shall be for the equal benefit, protection and security of the registered owners of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as otherwise expressly provided in or permitted by the Trust Agreement. (Section 202)

### **Authorization of Bonds**

The State is authorized to issue one or more Series of Bonds under the Trust Agreement to be designated “Special Obligation Transportation Infrastructure Bonds,” which may be issued from time to time without limitation as to amount except as provided in the Trust Agreement with respect to Additional Bonds or as limited by law. The Bonds may be issued in one or more Series, and may be issued as Fixed Rate Bonds, Variable Rate Bonds, Tender Bonds, Capital Appreciation Bonds, Deferred Income Bonds, Discount Bonds, or Build America Bonds or any combination thereof in accordance with applicable provisions of the Trust Agreement and the Applicable Supplemental Trust Agreement. (Section 203)

### **Additional Bonds**

One or more Series of Additional Bonds may be issued for the purpose of (i) paying all or a portion of the cost of any Project including the refunding of any Bonds, (ii) the making of deposits in the Debt Service Fund and the Debt Service Reserve Fund, as applicable, (iii) the payment of the Costs of Issuance of such Bonds, (iv) the payment of the principal of and interest and premium, if any, on notes issued in anticipation of such Bonds in accordance with the Trust Agreement or (v) any combination of the foregoing.

Additional Bonds may be issued only upon the delivery, among other items, of the following:

(i) A Bond Counsel’s opinion with respect to the validity of the Additional Bonds and the enforceability of the pledge under the Trust Agreement, a written order of an Authorized Officer as to the authentication and delivery of such Additional Bonds; the Trust Agreement and the Applicable Supplemental Trust Agreement executed by the Treasurer and the Trustee; and the instruments or agreements evidencing or representing any Credit Enhancement or Liquidity Facility required by the Applicable Supplemental Trust Agreement, if any;

- (ii) The documents and moneys, if any, required by the Applicable Supplemental Trust Agreement;
- (iii) A certificate of an Authorized Officer stating that, as of the delivery of such Additional Bonds and application of their proceeds, no Event of Default, as described under the heading “Events of Default”, will have happened and will then be continuing;
- (iv) A certificate of the Commissioner of the Department of Finance and Management setting forth the amount of Pledged Funds received by the State for each month for the eighteen (18) month period ending with the last full month immediately preceding the issuance of the Additional Bonds;
- (v) One of the following certificates as determined by the Treasurer:
  - (A) A certificate of an Authorized Officer showing that the amount of Pledged Funds as certified pursuant to subparagraph (iv) above received by the Treasurer during any twelve (12) consecutive months out of such eighteen (18) month period referred to in subparagraph (iv) above was not less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future Fiscal Year on Bonds Outstanding including the proposed Additional Bonds, or
  - (B) if the State shall pledge any Additional Pledged Funds, which amounts shall have been collected by the State for at least twelve (12) consecutive months of the eighteen (18) month period described in subparagraph (iv) above, (x) a certificate of the Commissioner of the Department of Finance and Management showing Pledged Funds for eighteen (18) consecutive months immediately preceding the month in which the Additional Bonds are issued, calculated on the basis that Pledged Funds shall include such Additional Pledged Funds for such period, and (y) a certificate of an Authorized Officer showing that the Pledged Funds calculated as provided in subparagraph (iv) above for any twelve (12) consecutive months during the eighteen (18) month period described in (x) above shall be not less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement during the then current Fiscal Year or any future Fiscal Year on all Bonds Outstanding including the proposed Additional Bonds, or
  - (C) if the State shall pledge any Additional Pledged Funds, which Additional Pledged Funds have not been collected by the State during at least twelve (12) consecutive months of the eighteen (18) month period described in subparagraph (iv) above, a certificate of an Authorized Officer and an independent consultant to the State with professional credentials and expertise in such matters, engaged for such purpose and selected by the State, showing that the amount of any Pledged Funds projected to be received by the State after giving effect to any such Additional Pledged Funds, during the first full Fiscal Year immediately succeeding the issuance of the proposed Additional Bonds will not be less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or in any future Fiscal Year on Bonds Outstanding including the proposed Additional Bonds;
- (vi) If the State shall deliver a certificate pursuant to subparagraph (v)(B) above, which shall include as a basis for calculation of Pledged Funds any Additional Pledged Funds other than an additional portion of Motor Fuel Transportation Infrastructure Assessments, or a certificate pursuant to subparagraph (v)(C) above, confirmation from each Rating Agency maintaining a rating on Bonds Outstanding that the issuance of such Additional Bonds shall not adversely affect their rating in effect on Bonds Outstanding (without regard to Credit Enhancement);
- (vii) If any such Additional Bonds are to be issued as Tender Bonds, a fully executed copy of the Liquidity Facility for such Bonds;

(viii) If any Variable Rate Bonds shall remain Outstanding upon the issuance of such Additional Bonds, a certificate of an Authorized Officer establishing a Pro Forma Bond Issue for such Variable Rate Bonds determined as of the date of issuance of such Additional Bonds;

(ix) A certificate of the Governor approving the matters set forth in Section 973(a) of the TIB Statute; and

(x) If applicable, the certificate of an Authorized Officer required by the Trust Agreement relating to Qualified Hedge Agreements, if any. (Section 206)

## **Refunding Bonds**

One or more Series of Refunding Bonds may be issued for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding.

Refunding Bonds may be issued only upon the delivery, among other items, of the following:

(i) A Bond Counsel's opinion with respect to the validity of the Refunding Bonds and the enforceability of the pledge under the Trust Agreement, a written order of an Authorized Officer as to the authentication and delivery of such Refunding Bonds; the Trust Agreement and the Applicable Supplemental Trust Agreement executed by the Treasurer and the Trustee; and the instruments or agreements evidencing or representing any Credit Enhancement or Liquidity Facility required by the Applicable Supplemental Trust Agreement, if any;

(ii) The documents and moneys, if any, required by the Supplemental Trust Agreement authorizing such Refunding Bonds;

(iii) A certificate of an Authorized Officer stating that, as of the delivery of such Refunding Bonds and application of their proceeds, no Event of Default, as described under the heading "Events of Default", will have happened and will then be continuing;

(iv) A certificate of an Authorized Officer setting forth the Adjusted Bond Debt Service Requirement for each Fiscal Year in which Bonds are or will be Outstanding (a) computed immediately prior to the delivery of such Refunding Bonds and (b) computed immediately after the delivery of such Refunding Bonds, and showing that the Adjusted Bond Debt Service Requirement in each Fiscal Year in which Bonds will be Outstanding as computed in (b) of this paragraph will not be greater than the Adjusted Bond Debt Service Requirement in each such Fiscal Year as computed in (a) of this paragraph; provided that, in lieu of such certificate, the Commissioner of the Department of Finance and Management and an Authorized Officer may deliver to the Trustee certificates satisfying the conditions of paragraphs (iv), (v) and (vi) under the heading "Additional Bonds" above, and in each case treating the Refunding Bonds to be issued as Additional Bonds under the Trust Agreement;

(v) A certificate of an Authorized Officer specifying the Bonds to be refunded;

(vi) If any Bonds are to be redeemed prior to maturity, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of the Bonds to be redeemed on a redemption date specified in the instructions;

(vii) If the Bonds to be refunded are not by their terms due to mature or subject to redemption within the next succeeding sixty (60) days, irrevocable instructions to the Trustee, satisfactory to it, to give due notice as provided under the heading "Defeasance" below, to the registered owners of the Bonds to be refunded;

(viii) An amount of money or Defeasance Obligations sufficient to effect payment at maturity or redemption of the Bonds to be refunded;

(ix) A certificate of the Governor approving the matters set forth in Section 973(a) of the TIB Statute and

(x) If applicable, the certificate of an Authorized Officer required by the Trust Agreement relating to Qualified Hedge Agreements, if any. (Section 207)

### **Bond Anticipation Notes**

Whenever the State shall authorize the issuance of a Series of Bonds, the State may by the Trust Agreement, to the extent authorized by law, issue notes (and renewals thereof) in anticipation of such Series. The principal of and interest on such notes and renewals thereof shall be payable from any moneys of the State lawfully available therefor, from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes. Subject to the Trust Agreement as described below under the heading "Creation of Liens; Other Indebtedness" and to the extent permitted by law, the State may also pledge the Pledged Funds to the payment of such notes. Prior to the issuance of any such notes, the Treasurer shall certify to the Trustee that he reasonably expects that all applicable requirements of the Trust Agreement pertaining to the issuance of the Series of Bonds in anticipation of which such notes are to be issued can be satisfied.

### **Creation of Liens; Other Indebtedness**

Except as otherwise expressly provided in the Trust Agreement, the State may not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by a pledge of or other lien on the Pledged Funds or any other moneys, securities and funds held or set aside by the State or by the Fiduciaries under the Trust Agreement, and shall not otherwise create or cause to be created any lien or charge on such Pledged Funds, moneys, securities and funds. The State may issue notes or other evidences of indebtedness (and renewals thereof) in anticipation of Bonds as described above under the heading "Bond Anticipation Notes," which notes may be secured by a pledge of Pledged Funds, provided that such pledge shall in all respects be subordinate to the provisions of the Trust Agreement and the pledge created thereunder.

The State may issue bonds (other than Additional Bonds or Refunding Bonds), notes or other evidences of indebtedness which are payable out of, or secured by a pledge of, the Pledged Funds so long as such bonds, notes or evidences of indebtedness are expressly subordinate to the obligations created under the Trust Agreement and the security granted thereby.

Nothing in the Trust Agreement prevents the State from issuing bonds, notes or other evidences of indebtedness which are payable out of, or secured by a pledge of, Pledged Funds to be derived on and after such date as the pledge of the Pledged Funds created by the Trust Agreement has been discharged as provided under the heading "Defeasance" below. Nothing in the Trust Agreement prevents the State from issuing bonds, notes or other evidences of indebtedness which are payable out of, or secured by a pledge of, a portion of Motor Fuel Transportation Infrastructure Assessments, any other Additional Pledged Funds or any other amounts to be credited to the Transportation Infrastructure Bond Fund to the extent such portion of Motor Fuel Transportation Infrastructure Assessments, Additional Pledged Funds or such other amounts do not constitute Pledged Funds. (Section 209)

### **Credit Enhancement/Liquidity Facilities**

The State may obtain or cause to be obtained Credit Enhancement or a Liquidity Facility providing for payment of all or a portion of the principal, premium, or interest due or to become due on any Series of Bonds or providing for the purchase of such Bonds or a portion thereof by the issuer of any such Credit Enhancement or Liquidity Facility. In connection therewith the State may agree with the issuer of such Credit Enhancement or Liquidity Facility to reimburse such issuer directly for amounts paid under the terms of such Credit Enhancement or Liquidity Facility, together with interest thereon ("Reimbursement Obligation"). Such Reimbursement Obligation may be subject to a lien on Pledged Funds on a parity with the lien created under the Trust Agreement for the related Series of Bonds. Upon the payment of amounts under the Credit Enhancement which results in the Reimbursement Obligations becoming due and payable, such Reimbursement Obligation shall be deemed a Bond Outstanding under the Trust Agreement. (Section 210)

## **Qualified Hedge Agreements**

The State may from time to time enter into Qualified Hedge Agreements with a Hedge Provider with respect to all or a portion of the Bonds of any Series Outstanding. The obligations of the State thereunder may be secured by a pledge of the Pledged Funds; provided, however, that such security shall be expressly subordinate to the security for the Bonds Outstanding.

Any amounts paid to the State pursuant to a Qualified Hedge Agreement shall be deposited by the Treasurer in the Revenue Account. Any amounts payable by the State to a Hedge Provider under a Qualified Hedge Agreement may be payable from the Transportation Infrastructure Bond Fund after funding of amounts in the various Funds and Accounts required by the Trust Agreement or from any other amounts lawfully available to the Treasurer for such purpose.

Upon the issuance of any Additional Bonds or Refunding Bonds, an Authorized Officer shall set an interest rate (the "Assumed Hedge Rate") which such Authorized Officer reasonably determines will be the average interest rate which will be payable for the next succeeding twelve consecutive months on the notional amount under any Qualified Hedge Agreement relating to any Fixed Rate Bonds under which the State is required to pay a variable interest rate. (Section 211)

## **Establishment of Funds and Accounts**

The following funds and accounts shall be established and held by the Trustee:

- (i) Redemption Fund;
- (ii) Debt Service Fund;
- (iii) Debt Service Reserve Fund;
- (iv) Bond Related Costs Fund: and
- (v) Rebate Fund.

Such funds, except the Rebate Fund, are subject to the pledge created under the Trust Agreement.

The Treasurer shall establish a Revenue Account to be maintained as part of the Transportation Infrastructure Bond Fund which is to be held by the Treasurer so long as Bonds shall remain Outstanding. Such Account shall be deposited with the Trustee and shall be subject to the pledge created by the Trust Agreement. (Section 502)

## **Bond Proceeds**

The Treasurer shall apply the proceeds of any Bonds to the payment of the Costs of Issuance of the related Series of Bonds, to the extent authorized by an Applicable Supplemental Trust Agreement and otherwise authorized by law, to pay the cost of Projects for which such Bonds have been issued and to pay notes, if any, issued in anticipation of such Bonds. The Treasurer may apply such amounts held to pay the Costs of Projects to the Projects authorized by the Applicable Supplemental Trust Agreement in accordance with the provisions thereof and the provisions of applicable law. Any balance remaining after payment of such amounts shall be paid by the Treasurer to the Trustee and deposited in the Redemption Fund and applied to the redemption of Bonds of the related Series. (Section 503)

## **Revenue Account**

The Commissioner of the Department of Finance and Management shall deliver to the Trustee within fifteen (15) business days after the end of each month, commencing with the end of the month immediately following the month in which the Initial Bonds are issued, a certificate stating the amount of Pledged Funds collected by the State during such month. Such amount shall be paid by the Treasurer to the Trustee within two (2)

business days thereafter from amounts credited to the Transportation Infrastructure Bond Fund, and deposited by the Trustee in the Revenue Account and applied as set forth in below under the heading “Flow of Funds.”

Immediately upon receipt thereof, the Trustee shall deposit in the Revenue Account any funds transferred to the Revenue Account pursuant to a Supplemental Trust Agreement. (Section 504)

### **Flow of Funds**

On the date of issuance of the Initial Bonds and no later than the last business day of July of each fiscal year thereafter, the Trustee shall transfer from amounts available in the Revenue Account to the following Funds and in the following order, to the extent necessary to equal the requirement for each respective Fund as described below:

- (i) To the Debt Service Fund, an amount which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement calculated to accrue through the end of such fiscal year;
- (ii) To the Debt Service Reserve Fund, an amount equal to one-thirty-sixth (1/36th) of the Funded Debt Service Reserve Fund Requirement (including any amounts required to be deposited in preceding months for which amounts were not available) until the amount on deposit therein equals the Funded Debt Service Reserve Fund Requirement;
- (iii) To the Bond Related Costs Fund, at such times and in such amounts, if any, as determined by the Treasurer or otherwise set forth in an Applicable Supplemental Trust Agreement as necessary to pay Bond Related Costs relating to the Bonds; and
- (iv) To the Rebate Fund, the amount of the Rebate Fund Requirement relating to the Bonds, if any, determined in accordance with an Applicable Supplemental Trust Agreement.

Upon deposit of the amounts described above, the balance on deposit in the Revenue Account shall be transferred by the Trustee on the last business day of July of each fiscal year to the Treasurer free and clear of the lien of the Trust Agreement and may be thereupon applied to any purpose permitted by law; provided, however, that if the Treasurer provides to the Trustee at any time prior to the last business day of July of any fiscal year a written notice certifying that all of the funding requirements of paragraphs (i) through (iv) above have been satisfied as of the date of such certificate with respect to the then current fiscal year, then the Trustee may transfer the balance on deposit in the Revenue Account to the Treasurer free and clear of the lien of the Trust Agreement to be applied to any purpose permitted by law upon the receipt and confirmation by the Trustee of such certificate.

No later than the last business day each calendar month, the Trustee shall transfer from amounts available in the Revenue Account to the following Funds and in the following order, to the extent necessary to equal the requirement for each respective Fund as described below:

- (i) In each calendar month except the month of June each fiscal year, to the Debt Service Fund, an amount which together with other amounts on deposit in such Fund, will equal the Debt Service Fund Requirement calculated as of the next succeeding interest payment date or Principal Installment payment date, as the case may be;
- (ii) To the Debt Service Reserve Fund, an amount equal to one-thirty-sixth (1/36th) of the Funded Debt Service Reserve Fund Requirement (including any amounts required to be deposited in preceding months for which amounts were not available) until the amount on deposit therein equals the Funded Debt Service Reserve Fund Requirement;
- (iii) To the Bond Related Costs Fund, at such times and in such amounts, if any, as determined by the Treasurer or otherwise set forth in an Applicable Supplemental Trust Agreement as necessary to pay Bond Related Costs relating to the Bonds; and
- (iv) To the Rebate Fund, the amount of the Rebate Fund Requirement relating to the Bonds, if any, determined in accordance with an Applicable Supplemental Trust Agreement.

Upon deposit of the amounts described above, the balance on deposit in the Revenue Account shall be transferred by the Trustee on the last business day of each month to the Treasurer free and clear of the lien of the Trust Agreement and may be thereupon applied to any purpose permitted by law; provided, however, that if the Treasurer provides to the Trustee at any time prior to the last day of such calendar month a written notice certifying that all of the funding requirements of paragraphs (i) through (iv) above have been satisfied, as of the date of such certificate, then the Trustee may transfer the balance on deposit in the Revenue Account to the Treasurer free and clear of the lien of the Trust Agreement to be applied to any purpose permitted by law upon the receipt and confirmation by the Trustee of such certificate. (Section 504)

### **Debt Service Fund**

The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents for any Bonds: (i) on or before each interest payment date the amount required for the interest and Principal Installments payable on such date and (ii) on or before each redemption date for the Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest and Redemption Price on the Bonds then to be redeemed.

Amounts accumulated in the Debt Service Fund with respect to any Sinking Fund Payment for Bonds (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Payment was established) may, and if so directed by an Authorized Officer shall, be applied by the Trustee prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Payment, to: (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Payment due on the maturity date, the principal amount thereof plus interest to such date), such purchases to be made in such manner as the Treasurer shall arrange, or (ii) the redemption of such Bonds then redeemable by their terms. The applicable Redemption Price or principal amount (in the case of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund.

In satisfaction, in whole or in part, of any amount required to be paid into the Debt Service Fund which is attributable to a Sinking Fund Payment for Bonds, there may be delivered on behalf of the State to the Trustee Bonds of the Series and maturity entitled to such payment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Bonds. (Section 505)

### **Redemption Fund**

The State may deposit in the Redemption Fund any moneys, including Pledged Funds, not otherwise required by the Trust Agreement to be deposited or applied. If at any time the amount on deposit and available therefor in the Debt Service Fund is insufficient to pay the principal and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds for which a notice of redemption shall have been given). Subject to the foregoing, amounts in each account in the Redemption Fund may be applied by the State to the redemption of Bonds at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Bonds been redeemed (or, if not then subject to redemption, at the applicable Redemption Prices when next subject to redemption), such purchases to be paid for by the Trustee at such times and in such manner as arranged and directed by an Authorized Officer. (Section 506)

### **Debt Service Reserve Fund**

If at any time the amounts on deposit and available therefor in the Debt Service Fund, the Bond Related Costs Fund or the Redemption Fund are insufficient to pay the principal, the Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. Amounts so withdrawn from the Debt Service Reserve Fund shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Credit Facilities held as a part thereof upon the terms and conditions set forth in any such Reserve Credit Facility or as set forth in the Applicable Supplemental Trust Agreement setting forth such Reserve Credit Facility.

If the Trustee shall draw on any cash or Permitted Investments and Reserve Credit Facilities in the Debt Service Reserve Fund, any amounts paid to the Trustee to replenish the amounts drawn shall be paid first pro rata to the providers of the Reserve Credit Facilities as authorized under a Supplemental Trust Agreement and, second, shall be deposited therein as a cash deposit.

If on any interest payment date, the amount on deposit in the Debt Service Reserve Fund is in excess of the Funded Debt Service Reserve Fund Requirement (calculated as of such interest payment date after the payment of the amount due on such date for the interest and Principal Installments on all Bonds Outstanding), the Trustee shall transfer such excess to the Treasurer free and clear of the lien hereof and such amount may be thereupon applied to any purpose permitted by law.

Whenever the Trustee shall determine that the amount of cash and Permitted Investments on deposit in the Debt Service Reserve Fund, together with all other funds available for the purpose, is equal to or in excess of the Redemption Price of all Bonds Outstanding, the Trustee, at the direction of an Authorized Officer, shall transfer the balance of such cash and Permitted Investments from the Debt Service Reserve Fund to the Redemption Fund in connection with the redemption of all Bonds Outstanding.

At any time, the Trustee shall, upon the written direction of an Authorized Officer, transfer any amount in the Debt Service Reserve Fund to the Bond Related Costs Fund in exchange for one or more Reserve Credit Facilities with aggregate stated and unpaid amounts not less than the amount so transferred. (Section 507)

#### **Bond Related Costs Fund**

The amount on deposit and available in the Bond Related Costs Fund shall be applied by the Trustee to the payment of Bond Related Costs at the times and in the amounts as directed from time to time by an Authorized Officer.

If at any time the amount on deposit and available therefor in the Debt Service Fund is insufficient to pay the principal and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Bond Related Costs Fund, after withdrawal of amounts as described under the heading "Redemption Fund" above, and deposit in the Debt Service Fund the amount necessary to meet such deficiency.

Upon the certification of an Authorized Officer and all Fiduciaries that all Bond Related Costs have been paid, any balance in the Bond Related Costs Fund shall be paid by the Trustee to the Treasurer free and clear of the lien hereof and such amounts shall be applied to any purposes permitted by law. (Section 508)

#### **Investments**

Except as otherwise provided below under the heading "Defeasance" or this paragraph, money held for the credit of any Fund or Account under the Trust Agreement shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other Fund or Account, by or at the direction of an Authorized Officer in Permitted Investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide moneys to meet the payments required to be made from such Funds and Accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof which it makes and which are held for the credit of such Fund or Account. Except as otherwise provided in a Supplemental Trust Agreement, amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund may be invested only in Permitted Investments of the type described in subparagraphs (i) or (viii) of the definition of Permitted Investments. Amounts on deposit in the Debt Service Reserve Fund may not be invested in any such Permitted Investments which mature or are otherwise not redeemable at the option of the holder thereof, for a Period of more than five (5) years after the purchase thereof. Except as otherwise provided in a Supplemental Trust Agreement, Permitted Investments purchased as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account and all income thereon shall accrue to and be deposited in such Fund or Account and all losses from investment shall be charged against such Fund or Account. Any income from Permitted Investments may be transferred to the Rebate Fund to the extent required by an Applicable Supplemental Trust Agreement.

In computing the amount in any Fund or Account under the Trust Agreement for any purpose, Permitted Investments shall be valued at amortized cost. As used in the Trust Agreement, the term “amortized cost,” when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days between the date of purchase and the maturity date; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Unless otherwise provided in the Trust Agreement, Permitted Investments in any fund or account shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Permitted Investments in the Debt Service Reserve Fund shall be valued at amortized cost for all purposes of the Trust Agreement unless and until a withdrawal from such Fund shall be required in accordance with the Trust Agreement, in which event such investments shall thereafter be valued at amortized cost or market, whichever is lower, until the balance in such Fund, on the basis of such valuation, shall equal the Funded Debt Service Reserve Fund Requirement. (Section 509)

### **Powers as to Bonds and Pledge**

The State is duly authorized under the TIB Statute and all applicable laws to create and issue Bonds under the Trust Agreement and to adopt the Trust Agreement and to pledge the Pledged Funds and other moneys, securities and funds purported to be pledged by the Trust Agreement in the manner and to the extent provided in the Trust Agreement. The Pledged Funds and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by the Trust Agreement except to the extent expressly permitted hereby. The State shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Funds and other moneys, securities and funds pledged under the Trust Agreement and all the rights of the Bondholders under the Trust Agreement against all claims and demands of all persons whomsoever. (Section 601)

### **Extension of Payment of Bonds**

The State shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of claims for interest by the purchaser or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Trust Agreement to the benefit of the Trust Agreement or to any payment out of any assets of the State or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Trust Agreement) held by the Fiduciaries, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing in this paragraph shall be deemed to limit the right of the State to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds. (Section 602)

### **Covenants of the State**

So long as any Bonds are Outstanding, the State will fulfill the terms of the Trust Agreement and any Supplemental Trust Agreement and will not in any way impair the rights or remedies of the holders of the Bonds until the Bonds, interest thereon and all costs associated with the Bonds are fully paid.

As soon as practicable after the end of each Fiscal Year, but not later than the 15th day of August following the end of such Fiscal Year, an Authorized Officer shall deliver to the Trustee a certificate, based upon an accounting by the Commissioner of the Department of Finance and Management setting forth the amount of Pledged Funds for such Fiscal Year, the Adjusted Bond Debt Service Requirement for all Bonds Outstanding during such Fiscal Year. Such certificate shall also demonstrate whether the amount of Pledged Funds received by the Treasurer during any twelve (12) consecutive months out of the eighteen (18) month period ended at the end of such Fiscal Year was not less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future Fiscal Year on Bonds Outstanding.

No provisions of the Trust Agreement shall prohibit the State from applying amounts credited to the Transportation Infrastructure Bond Fund, other than any Pledged Funds, calculated as of any date after the date of the Trust Agreement, for any purposes permitted by law. (Section 603)

### **Tax Covenants; Rebate Fund**

The State shall take, or require to be taken, such action as may from time to time be required to assure the continued exclusion from the federal gross income of Holders of any Series of Tax Exempt Bonds.

The State shall not permit the investment or application of the proceeds of any Series of Tax Exempt Bonds, including any funds considered proceeds within the meaning of section 148 of the Code, to be used to acquire any investment property the acquisition of which, would cause such Indebtedness to be “arbitrage bonds” within the meaning of said section 148.

Upon the initial issuance, sale and delivery of any Series of Tax Exempt Bonds, the State shall establish within the Rebate Fund a separate account within the Rebate Fund for such Series and may provide in the Applicable Supplemental Trust Agreement for the deposits of amounts therein to pay “rebate” on the investment of amounts under the Trust Agreement in accordance with Section 148(f) of the Code. Funds on deposit in the Rebate Fund shall be applied as set forth in the Applicable Supplemental Trust Agreement. Unless otherwise specified in the Applicable Supplemental Trust Agreement, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be held therein. The Rebate Fund and the amounts on deposit therein shall not be deemed Pledged Funds under the Trust Agreement. (Section 606)

### **Events of Default**

One or more of the following events shall constitute an Event of Default under the Trust Agreement:

(i) If default shall be made in the payment of the principal or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the State or any registered owner, or otherwise, or in the payment of any Sinking fund Payment when due; or

(ii) If default shall be made in the payment of any installment of interest on any Bond when due; or

(iii) if default shall be made by the State in the performance or observance of the covenants, agreements and conditions on its part provided in the first paragraph under the heading “Covenants of the State” above; or

(iv) if default shall be made by the State in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the Trust Agreement or in the Bonds and such default shall continue for a period of thirty (30) days after written notice thereof shall be given to the State by the Trustee or to the State and the Trustee by the registered owners of a majority in principal amount of the Bonds Outstanding; provided that if such default cannot be remedied within such thirty-day period, it shall not constitute an Event of Default under the Trust Agreement if corrective action is instituted by the State within such period and diligently pursued until the default is remedied. (Section 701)

### **Application of Revenues and Other Moneys after Default**

The State covenants that if an Event of Default shall happen and shall not have been remedied, the State, upon demand of the Trustee, shall pay over to the Trustee to the extent permitted by law forthwith, all Pledged Funds upon receipt and not otherwise held by the Trustee under the Trust Agreement.

During the continuance of an Event of Default, the Trustee shall apply the moneys, securities and funds held by the Trustee and such Pledged Funds and the income therefrom as follows and in the following order:

(i) to the payment of the reasonable and proper charges and expenses of the Fiduciaries and of any counsel selected by a Fiduciary pursuant to the Trust Agreement;

(ii) to the payment of the interest and principal amount or Redemption Price then due on the Bonds, subject to the provisions described under the heading “Extension of Payment of Bonds” above:

(a) unless the principal amount of all of the Bonds shall have become due and payable,

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

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

(b) if the principal of all of the Bonds shall have become due and payable, to the payment of the principal amount and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amount and interest, to the persons entitled thereto, without any discrimination or preference; and

(iii) to the payment of any person entitled to the payment of any Bond Related Cost ratably in accordance with the amount of such Bond Related Costs.

If and whenever all overdue installments of interest on all Bonds together with the reasonable and proper charges and expenses of the Fiduciaries, and all other sums payable by the State under the Trust Agreement, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be due and payable, shall either be paid by or for the account of the State, or provision satisfactory to the Trustee shall be made for such payment and all defaults under the Trust Agreement or the Bonds shall have been cured, the Trustee shall pay over to the State all moneys, securities and funds remaining unexpended in all fund and accounts provided by the Trust Agreement to be held by the State, and thereupon the State and the Trustee shall be restored, respectively, to their former positions and rights under the Trust Agreement and all Pledged Funds shall thereafter be applied as provided in the Trust Agreement. No such payment over to the State by the Trustee or resumption of the application of Pledged Funds as provided in the Trust Agreement shall extend to or affect any subsequent default under the Trust Agreement or impair any right consequent thereon.

The proceeds of any Credit Enhancement or Liquidity Facility shall be applied by the Trustee in the manner provided in the Supplemental Trust Agreement authorizing such Credit Enhancement or Liquidity Facility. (Section 702)

### **Proceedings Brought by Trustee**

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the registered owners of the Bonds under the Trust Agreement by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the State as if the State were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Trust Agreement.

All rights of action under the Trust Agreement may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings.

The registered owners of a majority in principal amount of the Bonds Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the action

or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the registered owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may deem necessary or expedient to prevent any impairment of the security under the Trust Agreement by any acts which may be unlawful or in violation of the Trust Agreement, or necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

Nothing contained in the Trust Agreement is intended to preclude the Trustee upon the occurrence of an Event of Default from asserting any and all remedies it may have at law or equity with respect to the Pledged Funds and other amounts held as security under the Trust Agreement, including asserting any rights it may have as Trustee as a secured party with respect to all security granted under the Trust Agreement. (Section 703)

### **Restrictions on Bondholders' Action**

No registered owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Trust Agreement or for any remedy under the Trust Agreement, unless such registered owner shall have previously given to the Trustee written notice of the happening of any Event of Default and the registered owners of at least twenty-five percent (25%) in principal amount of Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, to exercise the powers granted by the Trust Agreement in its own name, and unless such registered owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby, and the Trustee shall have refused to comply with such request within a reasonable time.

Nothing in the Trust Agreement shall affect or impair the obligation of the State to pay on the respective dates of maturity thereof the principal amount of and interest on the Bonds, or affect or impair the right of action of any registered owner to enforce the payment of his Bonds. (Section 704)

### **No Right of Acceleration**

Neither the Bondholders nor the Trustee shall have any right to accelerate the payment of principal or interest due on any Bonds Outstanding upon the occurrence of any Event of Default. (Section 707)

### **Responsibility of Fiduciaries**

The recitals of fact in the Trust Agreement and in the Bonds contained shall be taken as the statements of the State and no Fiduciary assumes any responsibility for the correctness of the same. The duties and obligations of the Fiduciaries shall be determined by the express provisions of the Trust Agreement and the Fiduciaries shall not be liable except for their performance of such duties and obligations as are specifically set forth in the Trust Agreement. No Fiduciary makes any representations as to the ability or sufficiency of this Trust-Agreement or of any Bonds issued thereunder or in respect of the security afforded by the Trust Agreement, and no Fiduciary shall incur any responsibility in respect thereof. Each Paying Agent shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds to the extent provided in the Vermont Uniform Commercial Code or any other applicable successor provision of law. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the State or any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or bad faith nor shall any Fiduciary be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Trust Agreement.

All moneys held by any Fiduciary, as such, at any time pursuant to the terms of the Trust Agreement shall be and hereby are assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of the Trust Agreement. (Section 803)

## **Compensation**

The State shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Trust Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees incurred in and about the performance of their powers and duties under the Trust Agreement and each Fiduciary shall have a lien therefor on any and all funds at any time held by it under the Trust Agreement. Amounts unpaid more than thirty (30) days after they are billed to the Treasurer shall bear interest at the “base rate” of the Trustee in effect from time to time. To the extent permitted by law, the State shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Trust Agreement, and which are not due to its negligence or bad faith. (Section 805)

## **Resignation of Trustee**

The Trustee may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving not less than sixty (60) days’ written notice to the Treasurer and giving not less than thirty (30) days’ written notice to each Bondholder and Paying Agent specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice provided a successor shall have been appointed, unless previously a successor shall have been appointed by the Treasurer or the Bondholders as provided in the Trust Agreement, in which event such resignation shall take effect immediately on the appointment of such successor. (Section 807)

## **Removal of Trustee**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the registered owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the State. Except during the existence of an Event of Default, the Treasurer may remove the Trustee at any time for cause or upon not less than ninety (90) days’ prior written notice to the Trustee for such other reason as shall be determined in the sole discretion of the Treasurer. (Section 808)

## **Appointment of Successor Trustee**

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the registered owners of a majority in principal amount of the Bonds then excluding any Bonds held by or the account of the State, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Treasurer and the predecessor Trustee. Pending such appointment, the Treasurer by a written instrument signed by an Authorized Officer and delivered to the predecessor Trustee shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders as authorized by the Trust Agreement. An Authorized Officer shall give written notice of any such appointment made by it to each Bondholder and Paying Agent at least thirty (30) days after the date of such appointment. Any successor Trustee appointed by the Treasurer shall, immediately and without further act, be superseded by a Trustee appointed by the Bondholders. If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within forty-five (45) days after the Trustee shall have given to the Treasurer written notice as under the heading “Resignation of Trustee” or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or the registered owner of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee. Any Trustee appointed as described under this heading in succession to the Trustee shall be a bank or trust company organized under the laws of the State, or a national banking association doing business and having its principal place of business in the State, having a capital and surplus aggregating at least fifty million dollars (\$50,000,000), if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Trust Agreement. (Section 809)

### **Supplemental Trust Agreement Effective Upon Filing**

The State and the Trustee may at any time and from time to time enter into supplements or amendments to the Trust Agreement for any one or more of the following purposes, which Supplemental Trust Agreement upon the execution thereof by the Treasurer and Trustee in accordance with the Trust Agreement shall be fully effective in accordance with its terms:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;
- (2) to close the Trust Agreement against, or provide limitations and restrictions contained in the Trust Agreement on, the original issuance of Bonds;
- (3) to add to the covenants and agreements of the State contained in the Trust Agreement other covenants and agreements thereafter to be observed for the purpose of further securing the Bonds;
- (4) to surrender any right, power or privilege reserved to or conferred upon the State by the Trust Agreement;
- (5) to authorize Bonds of a Series and, in connection therewith, specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the Trust Agreement;
- (6) to authorize any Credit Enhancement, Liquidity Facility or Reserve Credit Facility;
- (7) to exercise any provision in the Trust Agreement or to make such determinations under the Trust Agreement as expressly provided therein to be exercised or determined in a Supplemental Trust Agreement;
- (8) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Trust Agreement of the Pledged Funds;
- (9) to authorize the issuance of bonds, notes or any other obligation secured by a subordinate pledge of Pledged Funds in accordance with the Trust Agreement, and
- (10) for any other purpose, provided that such Supplemental Trust Agreement does not prejudice in any material respect the right of the registered owner of any Bond Outstanding at the date such Supplemental Trust Agreement becomes effective. (Section 901)

### **Powers of Amendment**

Any modification or amendment of the Bonds or of the Trust Agreement may be made by a Supplemental Trust Agreement, with the written consent given as provided in the Trust Agreement, (i) of the registered owners of at least a majority in the principal amount of all Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the registered owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Payment, of 100% of the registered owners of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment Outstanding at the time such consent is given; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the vote or consent of the registered owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal amount of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate or terms of any Credit Enhancement or Liquidity Facility relating to a Bond without the consent of the registered owner of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages of the principal amount of Bonds the consent of which is required to effect any such modification or amendment. (Section 1002)

## **Defeasance**

If the State shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of the Bonds then Outstanding, the principal amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Trust Agreement then the pledge of any Pledged Funds or other moneys and securities pledged by the Trust Agreement and all other rights granted by the Trust Agreement shall be discharged and satisfied. In such event, the Trustee shall, upon request of the State, execute and deliver to the State all such instruments as may be desirable to evidence such release and discharge and the Fiduciaries shall Pay over or deliver to the State all moneys or securities held by them pursuant to the Trust Agreement which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall be held by the Fiduciaries (through deposit by the State of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Bonds of any Series or any part of a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, an Authorized Officer shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations not subject to redemption at the option of the issuer thereof prior to the due date thereof, as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, or upon compliance with the provisions of the Trust Agreement which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates, in each case the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the time of deposit of such Defeasance Obligations, shall be sufficient, as certified by a firm of independent public accountants, to pay when due the principal amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds do not mature and are not by their terms subject to redemption within the next succeeding sixty (60) days, an Authorized Officer shall have given the Trustee in form satisfactory to it irrevocable instructions to provide, as soon as practicable, written notice to the registered owners of such Bonds that the deposit required by clause (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal amount or Redemption Price, if applicable, on said Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and all of the same shall be held in trust for, the payment of the principal amount or Redemption Price, if applicable, and interest on said Bonds; provided, however, that any cash received from the principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Defeasance Obligations as directed by an Authorized Officer. After the making of the payments for which such Defeasance Obligations or moneys were held, any surplus shall be promptly paid over to the State, as received by the Trustee, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under the Trust Agreement.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Variable Rate Ceiling if in effect with respect to such Bonds; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such Variable Rate Ceiling for any period, the total amount of moneys and Defeasance Obligations on deposit with the Trustee for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Rate Bonds, the Trustee shall, if requested by the State, pay promptly the amount of such excess to the State free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the Trust Agreement.

Tender Bonds shall be deemed to have been paid only if, in addition to satisfying the requirements thereof, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the registered owners of such Bonds upon the exercise of any options provided to the registered owners of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the provisions described above, the options originally exercisable by the registered owners of Tender Bonds are no longer exercisable, such Bonds shall not be considered Tender Bonds for purposes of the Trust Agreement. If any portion of the moneys deposited with the Trustee for the payment of the principal amount of and premium, if any, and interest on Tender Bonds is not required for such purpose the Trustee shall, if requested by the State, pay promptly the amount of such excess to the State free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Trust Agreement. (Section 1101)

### **Unclaimed Funds**

Any moneys held by the Fiduciary in trust for the payment and discharge of any Bonds which remain unclaimed for three (3) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three (3) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall be paid to the State as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the State for the payment of such Bonds; provided, however, that before being required to make any such payment to the State, the Fiduciary shall, at the expense of the State, send notice to the Bondholder at the address for such Bondholder appearing in the Fiduciary's records, if any, stating that the Fiduciary is in possession of moneys for the payment and discharge of Bonds held by such Bondholder that remain unclaimed. (Section 1101)

### **No Recourse on the Bonds**

No recourse shall be had for the payment of the principal or Redemption Price of or the interest on the Bonds or for any claim based thereon or on the Trust Agreement against any official, agent, representative or employee of the State or any person executing the Bonds. No official, agent, representative or employee of the State shall be held personally liable to any purchaser or holder of any Bond under or upon such Bond under or upon such Bond, or under or upon the Trust Agreement or any Supplemental Trust Agreement relating to Bonds, or, to the extent permitted by law, because of the sale or issuance or attempted sale or issuance of Bonds, or because of any act or omission in connection with the investment or management of the Pledged Funds, funds or moneys of the State, or otherwise in connection with the management of its affairs, excepting solely for things willfully done or omitted to be done with an intent to defraud. (Section 1303)

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**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the State of Vermont (the “Issuer”) in connection with the issuance of \$10,820,000 Special Obligation Transportation Infrastructure Bonds, 2012 Series A (the “Bonds”). The Bonds are being issued by the State Treasurer, with the approval of the Governor, for transportation purposes of the State pursuant to Subchapter 4 of Chapter 13 of Title 32 of the Vermont Statutes Annotated, as amended and pursuant to specific Acts of the General Assembly. The Issuer covenants and agrees for the benefit of the Beneficial Owners of the Bonds as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer 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) (the “Rule”).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings when used herein:

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

“Beneficial Owner” shall mean any person that 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 State Treasurer or his or her designee, or such other officer or employee as the Issuer shall designate in writing from time to time.

“Dissemination Agent” shall mean the State Treasurer, or any successor Dissemination Agent designated in writing by the Issuer and that has filed with the Issuer a written acceptance of such designation.

“Holder” or “Bondholder” means the registered owner of a Bond.

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

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Filing information for the MSRB is set forth in Exhibit B hereto.

“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.

“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.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, within one year after the end of the Issuer’s fiscal year (presently June 30), provide to the MSRB an Annual Report that 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 cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for filing of the Annual Report if they are not available by that date. If the Issuer’s fiscal year changes, it shall promptly file a notice of such change with the MSRB.

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

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

(a) The audited financial statements of the Issuer for the most recently ended fiscal year were prepared in accordance with GAAP as promulgated to apply to governmental entities by the Governmental Accounting Standards Board. The future audited financial statements of the Issuer will be prepared either in accordance with GAAP as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board or using the modified cash basis of accounting which recognizes transactions only when cash changes hands. If the Issuer's audited financial statements are not completed 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 Official Statement, and the audited financial statements of the Issuer shall be filed in the same manner as the Annual Report when they become available;

(b) Summary of monthly collections of Assessments (as defined in the Official Statement of the State dated July 31, 2012 with respect to the Bonds (the "Official Statement")) for the prior fiscal year, in substantially the same level of detail as is found in the Official Statement under the heading "MOTOR FUEL TRANSPORTATION INFRASTRUCTURE ASSESSMENTS—Historical Monthly Collections of Assessments; July 2009 through June 2012;"

(c) Summary of debt service requirements on the Bonds in substantially the same level of detail as is found in the Official Statement under the heading "DEBT SERVICE REQUIREMENTS;" and

(d) Calculation of the debt service coverage ratio for the prior fiscal year.

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 Issuer or related public entities, which (i) are available to the public on the MSRB's Internet Web site or (ii) have been filed with the Securities and Exchange Commission. The Issuer 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 Issuer shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:

- (i) principal and interest payment delinquencies.
- (ii) non-payment related defaults, if material.
- (iii) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (iv) unscheduled draws on the credit enhancements reflecting financial difficulties.
- (v) substitution of the credit or liquidity providers or their failure to perform.

- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (vii) modifications to rights of Bondholders, if material.
- (viii) optional, contingent or unscheduled calls of bonds, if material, and tender offers.
- (ix) defeasances.
- (x) release, substitution or sale of property securing repayment of the Bonds, if material.
- (xi) rating changes.
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer.<sup>†</sup>
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The Issuer'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 Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. Dissemination Agent. The Issuer 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 Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the State Treasurer.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, 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

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<sup>†</sup> As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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 pursuant to the terms of the Bonds, or (ii) does not, in the opinion of 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 Issuer 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 Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) the Issuer shall promptly file a notice of such change with the MSRB, 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 Issuer 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 Issuer 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 Issuer 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. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, 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 Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default pursuant to the terms of the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, 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.

Date: \_\_\_\_\_, 2012

STATE OF VERMONT, as Issuer

By: \_\_\_\_\_  
Elizabeth A. Pearce  
Treasurer

**EXHIBIT A**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: State of Vermont

Name of Bond Issue: Special Obligation Transportation Infrastructure Bonds, 2012 Series A

Date of Issuance: \_\_\_\_\_, 2012

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated \_\_\_\_\_, 2012. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

STATE OF VERMONT, as Issuer

By: \_\_\_\_\_

## **EXHIBIT B**

Filing information relating to the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board

<http://emma.msrb.org>

**FORM OF BOND COUNSEL OPINION**

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**PROPOSED FORM OF OPINION OF BOND COUNSEL**

(Date of Delivery)

The Honorable Peter E. Shumlin  
Governor of Vermont  
The State Capitol  
109 State Street  
Montpelier, Vermont 05609

\$10,820,000  
State of Vermont  
Special Obligation Transportation Infrastructure Bonds, 2012 Series A  
Dated Date of Delivery

We have acted as bond counsel to the State of Vermont (the “State”) in connection with the issuance by the State of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including Subchapter 4 of Chapter 13 of Title 32 of the Vermont Statutes Annotated (the “Act”) and other applicable statutes. We have also examined the Trust Agreement dated as of July 1, 2010 (the “Trust Agreement”), between the State and People’s United Bank, as trustee (the “Trustee”) and the Second Supplemental Trust Agreement dated as of August 1, 2012 (the “Second Supplemental Agreement” and, together with the Trust Agreement, the “Agreement”) between the State and the Trustee. Capitalized terms not otherwise defined herein are used herein as defined in the Agreement.

The Bonds are issued pursuant to the Agreement. Bonds issued under the Agreement, including the Bonds, are payable from and secured by a pledge of Pledged Funds.

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

Based on our examination, we are of opinion, under existing law, as follows:

1. The State has the right and power under the Act to enter into the Trust Agreement and the Second Supplemental Agreement, and each has been duly and lawfully executed on behalf of the State by the State Treasurer.
2. The Trust Agreement and the Second Supplemental Agreement have been duly authorized, executed and delivered by the State, are in full force and effect and constitute valid and binding obligations of the State enforceable upon the State in accordance with the respective terms thereof. No other authorization for the Agreement is required.
3. Pursuant to the Act, the Agreement creates the valid pledge that it purports to create of the Pledged Funds, rights, moneys, securities, credit facilities and funds held under the Agreement, in the manner and to the

extent provided in the Agreement, for the security of the Bonds on a parity with other bonds (if any) issued or to be issued under the Agreement.

4. The Bonds have been duly authorized, executed and delivered by the State and are valid and binding special obligations of the State, enforceable in accordance with the terms thereof and the terms of the Agreement. The Bonds are entitled to the benefits of the Act, as provided under the Agreement, and of the Agreement. The Bonds are not general obligations of the State, and the full faith and credit of the State are not pledged to the payment thereof. The Bonds are payable solely from the sources provided therefor in the Agreement.

5. Interest on the Bonds is exempt from Vermont personal income taxes and Vermont corporate income taxes. We express no opinion regarding any other Vermont tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Vermont.

6. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

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

EDWARDS WILDMAN PALMER LLP

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