

PRIVATE PLACEMENT MEMORANDUM

NEW ISSUE—BOOK-ENTRY ONLY

In the opinion of Bond Counsel, assuming compliance with certain covenants and agreements which are intended to ensure compliance with the Internal Revenue Code of 1986, as amended (the "Code"), under existing laws, regulations, rulings and judicial decisions, interest on the 2004 Series D Bonds is excludable from gross income for federal income tax purposes. Interest on the 2004 Series D Bonds is not taken into account as a specific tax preference item included in minimum taxable income for purposes of calculating the alternative minimum tax imposed on individuals and corporations under the Code. For information regarding certain requirements for and exceptions to such exclusion, see "TAX MATTERS" herein. The Vermont Housing Finance Agency Act provides that the 2004 Series D Bonds and the interest thereon are exempt from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes.

\$2,810,000

**VERMONT HOUSING FINANCE AGENCY
Multi-Family Mortgage Bonds
2004 Series D (Non-AMT)**

Dated: Date of Delivery

Due: As shown on inside front cover

The 2004 Series D Bonds (the "2004 Series D Bonds") are issuable only as fully registered bonds, without coupons. When issued, the 2004 Series D Bonds are expected to be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2004 Series D Bonds purchased. Principal and interest on the 2004 Series D Bonds are payable by Banknorth, National Association, Williston, Vermont, as Trustee, to DTC, which will be responsible for remitting such principal and interest to its Participants, who will be responsible for remitting such principal and interest to the Beneficial Owners of the 2004 Series D Bonds, as described under the caption "DESCRIPTION OF THE 2004 SERIES D BONDS—Book-Entry System" herein.

The 2004 Series D Bonds will bear interest from their date of issuance, payable on February 15 and August 15 of each year, commencing February 15, 2005, until maturity or earlier redemption thereof. The 2004 Series D Bonds will bear interest at the respective rates and are to mature on the dates and in the principal amounts shown on the inside front cover.

The 2004 Series D Bonds are subject to redemption prior to maturity under the circumstances set forth herein under "DESCRIPTION OF THE 2004 SERIES D BONDS—Sinking Fund Redemption Provisions," "—Optional Redemption Provisions" and "—Special Redemption Provisions."

The 2004 Series D Bonds are being issued by the Agency to provide money to fund an additional Mortgage Loan (as herein defined) to repay an outstanding loan with respect to, and for the rehabilitation of, a multi-family residential housing facility for seniors located in the State of Vermont (the "State"), all as described herein.

For a description of certain risks with regard to the security for the 2004 Series D Bonds, see "SECURITY FOR THE 2004 SERIES D BONDS" herein and "SUMMARY OF SECTION 8 PROGRAM" in Appendix IV hereto.

THE 2004 SERIES D BONDS WILL BE GENERAL OBLIGATIONS OF THE AGENCY PAYABLE OUT OF ANY OF THE AGENCY'S REVENUES, MONEY OR ASSETS, SUBJECT TO AGREEMENTS HERETOFORE OR HEREAFTER MADE WITH OWNERS OF OBLIGATIONS OF THE AGENCY OTHER THAN THE BONDS (AS HEREIN DEFINED) PLEDGING PARTICULAR REVENUES, MONEY OR ASSETS FOR THE PAYMENT THEREOF. THE AGENCY HAS NO TAXING POWER. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED FOR THE PAYMENT OF THE 2004 SERIES D BONDS.

The 2004 Series D Bonds are offered for delivery when, as and if issued and received by Fannie Mae and subject to the approval of legality by Kutak Rock LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by Elizabeth Mullikin Drake, Esq., counsel to the Agency. The 2004 Series D Bonds are being sold directly to Fannie Mae by the Agency. It is expected that the 2004 Series D Bonds will be available in book-entry form through the facilities of DTC in New York, New York on or about August 26, 2004.

August 18, 2004

MATURITY SCHEDULE

Multi-Family Mortgage Bonds, 2004 Series D (Non-AMT)

\$1,000,000 4.65% Term Bonds due August 15, 2024

\$1,810,000 4.90% Term Bonds due August 15, 2039

Price: 100%

Piper Jaffray & Co.
Financial Advisor to the
Vermont Housing Finance Agency

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PRIVATE PLACEMENT MEMORANDUM

\$2,810,000 VERMONT HOUSING FINANCE AGENCY MULTI-FAMILY MORTGAGE BONDS

2004 SERIES D (Non-AMT)

This Private Placement Memorandum of the Vermont Housing Finance Agency (the “Agency”) is provided for the purpose of setting forth certain information concerning the Agency, its Multi-Family Mortgage Bonds issued under the Agency’s Multi-Family Mortgage Bond Resolution adopted on February 3, 1977, as amended (the “General Resolution”), and its Multi-Family Mortgage Bonds 2004 Series D in the aggregate principal amount of \$2,810,000 (the “2004 Series D Bonds”) under its Resolution Authorizing the Issuance and Sale of a Maximum of \$15,000,000 of Bonds In One or More Series to Finance Multi-Family Projects, adopted on April 29, 2004 and the Series Certificate executed and delivered pursuant thereto (collectively, the “Series Resolution”). The 2004 Series D Bonds and all other bonds issued under the General Resolution are herein collectively referred to as the “Bonds.” The General Resolution and the Series Resolution are sometimes herein collectively referred to as the “Resolutions.” Certain terms not defined elsewhere in this Private Placement Memorandum are defined in “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

INTRODUCTORY STATEMENT

The 2004 Series D Bonds will be secured under the provisions of the Resolutions and will be issued in accordance with the Resolutions and the Vermont Housing Finance Agency Act, being No. 260 of the Vermont Acts of 1973, Adjourned Session, as amended (the “Act”). The Agency has previously issued \$140,405,000 Multi-Family Mortgage Bonds, of which \$77,405,000 was still outstanding as of March 31, 2004, plus \$14,755,000 of such Bonds were issued on June 24, 2004 (collectively, the “Outstanding Bonds”) under the General Resolution (see Appendix I hereto for information as of June 30, 2003), which bonds will be on a parity with the 2004 Series D Bonds. The Agency expects to apply the proceeds of the 2004 Series D Bonds, together with other available funds of the Agency, to fund a Mortgage Loan (as hereinafter defined, but excluded therefrom is the portion of any such loan financed by notes of the Agency) to repay an outstanding loan from the United States Department of Housing and Urban Development with respect to, and for the rehabilitation of, Cathedral Square Senior Living (see Appendix III herein for further information on the project and the Mortgage Loan). Additional series of Bonds may be issued by the Agency on a parity with the Outstanding Bonds and the 2004 Series D Bonds provided that each additional series will be authorized and secured by a series resolution adopted in accordance with and under the provisions of the General Resolution and the Act.

The Act provides that the Agency is constituted a public instrumentality of the State of Vermont (the “State”) exercising public and essential governmental functions, and the exercise by the Agency of the powers conferred by the Act is deemed to be the performance of an essential governmental function of the State. The Act authorizes the Agency to issue bonds and notes in such principal amounts as the Agency may determine, provided that the total bonds and notes outstanding at any one time may not exceed \$900,000,000. The Act permits the Agency to engage in an additional limited obligation program not subject to the debt limitation. As of March 31, 2004, the Agency had \$604,309,505 principal amount of bonds outstanding, all of which is subject to the debt limitation. For information regarding the Agency’s outstanding indebtedness, see “THE AGENCY—Outstanding Indebtedness” and Appendix I hereto.

The General Resolution authorizes Bonds to be issued to provide funds for the making of mortgage loans (the "Mortgage Loans") to housing sponsors (the "Developers") eligible under the Act for the financing of housing developments (the "Developments") containing five or more dwelling units intended for occupancy on a rental or cooperative basis by persons and families of low and moderate income (the "Program"). The Act requires that such housing sponsors be organized on a nonprofit or limited-profit basis. The majority of the rental units in the other Developments financed with proceeds of the Outstanding Bonds are receiving subsidy payments on behalf of eligible tenants pursuant to Section 8 ("Section 8") of the United States Housing Act of 1937, as amended (the "Housing Act"), as more fully described in Appendix IV hereto. One hundred of the 108 units in the Development to be financed by the 2004 Series D Bonds are to receive Section 8 subsidy payments. Notwithstanding such subsidy payments, the Bonds do not constitute a debt or indebtedness of the United States and payment of the Bonds is not guaranteed by the United States. For certain information regarding the Developments, see Appendix II and Appendix III hereto. Substantially all of the Mortgage Loans for Developments financed with proceeds of the Outstanding Bonds provide no recourse to the Developers.

All Bonds issued under the General Resolution, including the 2004 Series D Bonds, are secured, to the extent and as provided in such Resolution, by (a) all Revenues, (b) all Mortgage Loans made under the General Resolution, and (c) subject to the terms of the General Resolution, all moneys in the funds and accounts pledged under the General Resolution, including the Mortgage Reserve Fund and the Debt Service Reserve Fund. In addition, the Bonds will be general obligations of the Agency payable from any of the Agency's other revenues, moneys or assets, subject to agreements heretofore or hereafter made with holders of notes and bonds, other than the Bonds, pledging particular revenues, moneys or assets for the payment thereof. Pursuant to the Act, the Agency is obligated to pay the principal or redemption price, if any, of and interest on the Bonds from revenues or funds of the Agency, which has no taxing power; the State is not obligated to pay the principal thereof or interest thereon, and neither the faith and credit nor the taxing power of the State or of any political subdivision is pledged to the payment of the principal or redemption price, if any, of or the interest on the Bonds.

The Act provides that, in order to assure the maintenance of the amount in the Debt Service Reserve Fund at the Debt Service Reserve Requirement, there may be appropriated annually and paid to the Agency for deposit in the Debt Service Reserve Fund, such sum, if any, as is certified by the Chairman of the Agency to the Governor or to the Governor-elect, the President of the Senate and the Speaker of the House as is necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. Pursuant to the General Resolution and the Act, the Chairman is required annually, on or about each February 1, to make and deliver to the Governor or to the Governor-elect, the President of the Senate and the Speaker of the House a certificate stating the sum, if any, required to restore the Debt Service Reserve Fund to that amount. The sum so certified may be appropriated and, if appropriated, shall be paid to the Agency during the then current State fiscal year. Pursuant to the Act, the principal amount of outstanding bonds or notes of the Agency secured by a debt service reserve fund to which State funds may be appropriated cannot exceed \$125,000,000. To date, the Chairman has never been required to certify a sum to restore the Debt Service Reserve Fund amount to meet the Debt Service Reserve Fund Requirement. Upon the issuance of the 2004 Series D Bonds the principal amount of bonds or notes of the Agency secured by such a debt service reserve fund will be equal to \$94,535,000.

While the Bonds and the provisions of the Act discussed above do not constitute a legally enforceable obligation of the State nor create a debt on behalf of the State, Bond Counsel is of the opinion that the State, by its General Assembly, is legally authorized, but not legally obligated, to appropriate annually such sum as shall have been certified by the Chairman of the Agency to the Governor or the Governor-elect, the President of the Senate and the Speaker of the House as necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement.

THE AGENCY

Purpose and Powers

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

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

Management

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

The present commissioners are:

Lisa Mitiguy Randall—Chair, term expires January 31, 2008. Ms. Randall is the Development Director of Mater Christi School. Ms. Randall was formerly Senior Vice President, Retail Services, New England Federal Credit Union, a Vice President of BancBoston Mortgage Corporation and the Bank of Vermont and held a variety of positions at The Howard Bank, N.A., all in Burlington, Vermont. She has served on a number of boards of charitable organizations. She is a graduate of the University of Vermont.

Gustave “Gus” Seelig—Vice Chair, term expires January 31, 2005. Mr. Seelig has served as the Executive Director of the Vermont Housing and Conservation Board since its inception in 1987. The Board administers a variety of state and federal programs which have resulted in an investment by the State of Vermont of over \$156 million, which has developed or rehabilitated nearly 7,000 units of affordable housing and conserved approximately 344,000 acres of land, including 318 farms. Prior to his work for the Board, Mr. Seelig served as the Executive Director of the Central Vermont Community Action Council, a low income advocacy and community development organization. Mr. Seelig serves on the Affordable Housing Program Advisory Board for the Federal Home Loan Bank of Boston. He is also a member of the Board of the Vermont Energy Investment Corporation. Mr. Seelig received a B.A. from Goddard College in 1976 and completed the Harvard University’s Program for Senior Executives in State and Local Government in 1996.

Paul J. Beaulieu—Term expires January 31, 2007. Mr. Beaulieu is the Executive Vice President and Chief Operating Officer of Factory Point National Bank of Manchester Center, Vermont. In addition, he is involved with several community organizations, including the Board of Trustees of Southwestern Vermont Health Care, Northshire Day School and the Manchester and the Mountains Chamber of Commerce. He is also a Trustee and Vice Chair of the New England School of Banking at Williams College. Mr. Beaulieu is a graduate of St. Michael’s College and has received a Masters of Business Administration from the University of Notre Dame.

Dagyne T. Canney—Term expires on January 31, 2006. Ms. Canney is owner and principal broker of Vermont Real Estate Sales Company in Rutland. She serves as a Director of both the Rutland County Board of Realtors and the Vermont Real Estate Information Network (MLS). In addition, Ms. Canney serves on the Governor's Economic Advisory Board and is a member of the Keybank Advisory Board for the Vermont/Champlain Valley District. She was formerly a member and Vice Chairperson of the Vermont Real Estate Commission. Ms. Canney is a graduate of the University of Vermont.

John P. Crowley—Commissioner of Banking, Insurance, Securities and Health Care Administration, ex-officio member. Prior to becoming Commissioner in January of 2003, Mr. Crowley was the Senior Partner in the law office of Keyser Crowley, P.C. in Rutland, Vermont. Mr. Crowley served in the Vermont House of Representatives in 1993-1994 and from 1999-2003, he served in the Vermont Senate where he was a member of the Senate Finance Committee. He has served on a number of boards of directors of community organizations, including the Rutland Regional Medical Center where he served as Chairman of the Board of Directors for two years. Mr. Crowley holds degrees from the Georgetown University Law Center, Southeastern University and Holy Cross College.

George B. "Jeb" Spaulding—State Treasurer, ex-officio member. Mr. Spaulding was elected State Treasurer in November, 2002. Previously, Mr. Spaulding served in the Vermont State Senate from 1985-2000. During that period, he chaired several committees, including the Senate Appropriations Committee, the Joint Fiscal Committee, the Senate Education Committee, and the Joint Committee on Administrative Rules. He was also the Director of Career and Workforce Development at the Vermont Department of Education, Director of the Vermont Academy of Science and Technology at Vermont Technical College and an adjunct instructor in the Communications Department at Norwich University. He has also served on several community organizations. Mr. Spaulding attended Antioch College and the University of Vermont.

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

The following are the principal staff members of the Agency:

Sarah E. Carpenter was appointed as Executive Director of the Agency in October, 1998. Before joining the Agency, Ms. Carpenter was the Executive Director of Cathedral Square Corporation in Burlington, Vermont for 15 years. Cathedral Square is a nationally recognized leader in combining affordable housing and community services. Ms. Carpenter is a *cum laude* graduate of the University of Vermont and holds a M.P.A. degree from Harvard University. She has served on a variety of boards, including the national board of the American Association of Homes and Services for the Aging, AAHSA Assurances Limited, a captive liability insurance company, Housing Vermont, a non-profit statewide developer and tax credit syndicator, and the Community Development Advisory Board of the Federal Reserve Bank of Boston. Ms. Carpenter currently serves on the boards of the Vermont Community Development Program and the Vermont Housing and Conservation Board, as well as the boards of Fletcher Allen Healthcare and several local charitable organizations.

The position of Chief Financial Officer and Treasurer for the Agency is presently vacant. The Agency is in the process of soliciting applicants for the position. Under the Agency's Bylaws, the Executive Director is authorized to serve in this capacity until a successor is appointed.

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

Elizabeth Mullikin Drake, Esq., is General Counsel to the Agency. Before joining the Agency, Ms. Drake was Assistant General Counsel for Bombardier Capital, a subsidiary of Bombardier Inc. She is also a former ex-officio Commissioner of the Agency in her capacity as Commissioner of Housing and Community Affairs for the State of Vermont from 1991-1993. She has also served as Agency Counsel to the Vermont Agency of Development and Community Affairs. Ms. Drake is a graduate of the University of Vermont and received her juris doctor degree from Vermont Law School.

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

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

As of March 31, 2004, the Agency had 40 employees who are responsible for the operation and management of the Agency's single family and multi-family programs. Of these employees, 12 are charged with responsibility for the multi-family program. Included on the staff of the Agency are professionals with experience in mortgage underwriting and portfolio and investment management.

Operations to Date

Pursuant to the Act and its agreements with bondholders, a substantial portion of the Agency's assets are pledged to secure specific obligations or are otherwise restricted. The Agency maintains separate restricted funds for each of its programs financed by the issuance of bonds under a particular general bond resolution. Such funds and programs have separate sets of accounts set up in accordance with the Act and the various general bond resolutions. Assets and revenues of such funds and programs are restricted by various resolutions and agreements and are not available in any manner other than as provided in the various general bond resolutions adopted by the Agency for its programs. Moneys in excess of restricted fund requirements are transferred periodically from these restricted funds to the General Fund. All of the Agency's outstanding bonds, other than the Single Family Housing Bonds, are general obligations of the Agency secured by and payable from any of the Agency's revenues, moneys or assets, including the General Fund, subject to agreements heretofore or hereafter made with holders of notes and bonds that pledge particular revenues, moneys or assets for the payment thereof. The Agency has not pledged any moneys in the General Fund to the payment of any particular bonds of the Agency.

Outstanding Indebtedness

Since September 1974, the Agency has issued \$1,940,416,543 aggregate principal amount of bonds and notes, of which \$604,309,505 was outstanding as of March 31, 2004, to finance its various programs. The proceeds of the bonds have been or will be used to make mortgage loans to sponsors of multi-family residential housing units for persons and families of low and moderate income in the State, to purchase mortgage loans on single family residential housing units for persons and families of low and moderate income in the State, to make loans to mortgage lenders to finance such single family housing and to make loans to finance certain other multi-family housing developments. The bonds are secured pursuant to the terms of the resolutions under which they were issued.

For additional information with respect to outstanding indebtedness of the Agency, see Appendix I.

MULTI-FAMILY MORTGAGE LOAN PROGRAM OF THE AGENCY

Multi-Family Mortgage Loan Portfolio of the Agency

Since 1975, the Agency has financed 168 multi-family residential rental developments. These developments comprise 5,330 units of rental housing, of which 2,751 are assisted under the Section 8 program.

In deciding whether to make a Mortgage Loan on a development the Agency considers, among other things, the extent of the need for affordable rental housing in the market area, the quality and location of the proposed site, the experience and stability of the developers, the quality of management experience, and the sufficiency of projected revenues to pay anticipated operating expenses in the face of expected economic trends and conditions. In addition, the Agency may also consider the loan-to-value ratio of the Agency's Mortgage Loan.

The ability of owners of multi-family residential rental developments to make mortgage payments is affected by a variety of factors, including the achievement and maintenance of a sufficient level of occupancy; sound management of the developments; timely and adequate increases in rents to cover increases in operating expenses, including taxes, utility rates and maintenance costs; changes in applicable laws and governmental regulations; and social and economic trends affecting the communities in which the developments are located, the State and the United States in general.

Mortgage Loans Securing the Bonds

Under the Program, the Agency may make Mortgage Loans secured by a first lien on real property or a leasehold estate for the construction or rehabilitation and permanent financing of multi-family residential housing intended for occupancy primarily by persons and families of low and moderate income.

Fifty-four of the 75 Developments financed with proceeds of the Outstanding Bonds (or prepayments from Mortgage Loans) are assisted by the federal government under the Section 8 program. The Section 8 subsidy payments are funded by the United States Department of Housing and Urban Development ("HUD") through its obligations under certain Annual Contributions Contracts ("ACCs") and certain Housing Assistance Payments Contracts ("HAPCs"). The full faith and credit of the United States is pledged to the payment of annual contributions pursuant to the ACCs. HUD is responsible for the administration of the Section 8 program on a national basis and the Agency and the Vermont State Housing Authority are responsible for the administration of certain Section 8 money

allocated to the State of Vermont. Such Mortgage Loans are not insured by either federal, state or private mortgage insurance. The Bonds do not constitute indebtedness of, nor are they guaranteed by, HUD or the United States.

Of the 54 Developments assisted under the Section 8 program, 23 have HAPCs that expire more than 18 months prior to the maturity date of the related Mortgage Loan. For a discussion of certain additional information and risks with respect to HAPCs and Section 8 payments thereunder, see Appendix IV hereto.

The outstanding Mortgage Loans financed with the proceeds of the Outstanding Bonds (or prepayments from Mortgage Loans) were made in the aggregate original principal amount of \$63,392,878. Such Mortgage Loans financed 75 Developments, which range in size from five to 166 units and contain a total of 2,298 units. Of those units, 765 are occupied by elderly tenants, and 1,533 are occupied by families. Construction of all of the Developments has been completed, and all but 22 of the Developments have been occupied for at least five years. As of March 31, 2004, the average vacancy rate for the Program over the past three years has been less than 1%. For additional information regarding the Developments and outstanding Mortgage Loans, see Appendix II hereto.

For the period commencing March 31, 2004 to date, no monthly mortgage payments on Mortgage Loans financed under the General Resolution were delinquent by more than 30 days. As of the date hereof, all Mortgage Loans financed under the General Resolution are current.

The Summary of Revenues, Expenses and Changes in Fund Balances (Unaudited) and the Balance Sheet (Unaudited) for the Program derived from the audited financial statements for the five years ended June 30, 2003 appear in the following tables:

**Statement of Revenues, Expenses and Changes in Fund Balances
for Years Ending June 30 (Unaudited)**

Revenues	2003	2002	2001	2000	1999
Interest Income:					
Mortgage and construction loans receivable	\$4,048,303	\$3,417,746	\$2,749,203	\$2,538,853	\$2,565,247
Investments	809,880	1,144,960	800,338	980,007	652,877
Gain on sale of investments	310,755	129,752	0	0	0
Net increase (decrease) in fair value of investments	<u>(58,171)</u>	<u>192,474</u>	<u>588,301</u>	<u>(294,562)</u>	<u>(170,406)</u>
Total Revenues	\$5,110,767	\$4,884,932	\$4,137,842	\$3,224,298	\$3,047,718
Expenses					
Financing costs, including interest and amortization of premium, discount and costs of issuance	\$3,911,405	\$3,639,541	\$2,534,520	\$3,006,564	\$2,852,588
Mortgage service and contract administration fees	<u>63,966</u>	<u>65,436</u>	<u>65,436</u>	<u>0</u>	<u>0</u>
Total Expenses	\$3,975,371	\$3,704,977	\$2,599,956	\$3,006,564	\$2,852,588
Excess of revenues over expenses	\$1,135,396	\$1,179,955	\$1,537,886	\$ 217,734	\$ 195,130
Fund balance at beginning of year	6,042,103	5,302,148	4,204,262	4,426,528	4,671,398
Transfers to general fund	<u>(440,000)</u>	<u>(440,000)</u>	<u>(440,000)</u>	<u>(440,000)</u>	<u>(440,000)</u>
Fund balance at end of year	<u>\$6,737,499</u>	<u>\$6,042,103</u>	<u>\$5,302,148</u>	<u>\$4,204,262</u>	<u>\$4,426,528</u>

Balance Sheet Summary at June 30 (Unaudited)

	2003	2002	2001	2000	1999
Assets					
Cash and cash equivalents	\$16,973,113	\$16,582,657	\$ 7,709,772	\$ 7,029,869	\$ 5,590,079
Investments	5,852,886	7,270,621	4,779,268	4,241,958	4,620,507
Mortgage and construction loans receivable	57,019,713	54,868,684	39,463,240	33,067,043	29,897,801
Accrued interest receivable—mortgage loans and notes receivable	254,166	249,370	190,941	153,963	149,733
Accrued interest receivable—investments	307,306	269,977	189,385	154,670	77,764
Other receivables	70,310	91,340	46,466	1,979	0
Deferred costs of bond issuance	677,658	631,662	521,345	424,027	272,374
Interfund receivables (payables)	<u>(3,968,018)</u>	<u>(359,413)</u>	<u>1,163,120</u>	<u>(443,351)</u>	<u>24,390</u>
Total Assets	<u>\$77,187,134</u>	<u>\$79,604,898</u>	<u>\$54,063,537</u>	<u>\$44,630,158</u>	<u>\$40,632,648</u>
Liabilities and Fund Balances					
Accounts payable	\$ 90,544	\$ 65,177	\$ 3,156	\$ 0	\$ 70,000
Accrued interest payable	1,452,421	1,590,384	1,136,663	818,916	954,453
Escrowed cash deposits	556,377	406,700	246,500	71,450	3,950
Deferred income—note discount	30,629	188,668	0	0	0
Bonds payable	69,205,000	72,245,000	48,160,000	40,435,000	35,795,000
Unamortized discount on bonds	<u>(885,336)</u>	<u>(933,134)</u>	<u>(854,930)</u>	<u>(899,470)</u>	<u>(617,283)</u>
Total Liabilities	70,449,635	73,562,795	48,761,389	40,425,896	36,206,120
Fund Balance	<u>6,737,499</u>	<u>6,042,103</u>	<u>5,302,148</u>	<u>4,204,262</u>	<u>4,426,528</u>
Total Liabilities and Fund Balance	<u>\$77,187,134</u>	<u>\$79,604,898</u>	<u>\$54,063,537</u>	<u>\$44,630,158</u>	<u>\$40,632,648</u>

DESCRIPTION OF THE 2004 SERIES D BONDS

The 2004 Series D Bonds will be dated as of their date of delivery and will bear interest from such date, payable on each February 15 and August 15, commencing February 15, 2005. The 2004 Series D Bonds will bear interest at the rate shown on the inside front cover of this Private Placement Memorandum and are to mature on the date and in the amount set forth on the inside front cover of this Private Placement Memorandum, subject to the redemption provisions described herein.

The 2004 Series D Bonds will be issued as fully registered bonds in the denomination of \$5,000 or integral multiples thereof.

Other than as provided below under “Book-Entry System,” principal and redemption price, if any, of the 2004 Series D Bonds will be payable at the principal office of Banknorth, National Association, Williston, Vermont, Trustee, Bond Registrar and Paying Agent. Other than as provided below under “Book-Entry System,” interest on the 2004 Series D Bonds will be payable by check mailed to the registered owner thereof at the address as shown on the registration books of the Trustee.

Book-Entry System

When the 2004 Series D Bonds are issued, ownership interests will be available to purchasers only through a book-entry system (the “Book-Entry System”) maintained by The Depository Trust Company (“DTC”), New York, New York, or such other depository institution designated by the Agency pursuant to the Resolutions. Purchasers of beneficial interests in the 2004 Series D Bonds will not receive certificates reflecting their interests in the 2004 Series D Bonds.

DTC will act as securities depository for the 2004 Series D Bonds. The 2004 Series D Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered security certificate will be issued for each maturity of the 2004 Series D Bonds in the aggregate principal amount thereof, and will be deposited with DTC.

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

Purchases of 2004 Series D Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2004 Series D Bonds on DTC's records. The ownership interest of each actual purchaser of each 2004 Series D Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2004 Series D 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 2004 Series D Bonds, except in the event that use of the book-entry system for the 2004 Series D Bonds is discontinued.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2004 SERIES D BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OR OWNERS OF THE 2004 SERIES D BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2004 SERIES D BONDS.

To facilitate subsequent transfers, all 2004 Series D Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2004 Series D Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2004 Series D Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2004 Series D Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. If less than all of the 2004 Series D Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2004 Series D Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2004 Series D Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2004 Series D Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal or redemption price of and interest payments on the 2004 Series D Bonds is to be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date payment is due in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payment is due. Payments by Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Bond Registrar, the Paying Agent or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to DTC is the responsibility of the Trustee, disbursement of

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

The Agency and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the 2004 Series D Bonds registered in its name (or the name of its nominee) for the purpose of payment of the principal of and premium, if any, or interest on the 2004 Series D Bonds, selecting the 2004 Series D Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners under the Resolutions, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and shall not be affected by any notice to the contrary.

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

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

For every transfer and exchange of a beneficial ownership interest in the 2004 Series D Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the 2004 Series D Bonds at any time by giving reasonable notice to the Agency or the Trustee. In the event that no satisfactory substitute depository is found to replace DTC, or if the Agency determines that Beneficial Owners should be able to obtain 2004 Series D Bond certificates, the Agency or the Trustee is obligated to deliver 2004 Series D Bonds, as appropriate, as described in the Resolutions. In the event such 2004 Series D Bond certificates are issued, the Beneficial Owner, upon registration of the 2004 Series D Bonds held in such Beneficial Owner's name, shall become the Owner for purposes of the Resolutions and the provisions of the Resolutions shall apply to, among other things, the transfer and exchange of certificates and the method of payment of principal of and interest on the 2004 Series D Bonds.

NEITHER THE AGENCY, NOR THE TRUSTEE, NOR THE BOND REGISTRAR, NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (ii) THE TIMELY PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE 2004 SERIES D BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS BY DTC UNDER THE RESOLUTIONS; (iv) THE SELECTION BY DTC OF ANY DIRECT OR INDIRECT PARTICIPANT AND THE SELECTION BY SUCH DIRECT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2004 SERIES D BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

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

Sinking Fund Redemption Provisions

The 2004 Series D Bonds maturing on August 15, 2024 and August 15, 2039 are subject to mandatory redemption in part, on February 15 and August 15, at the principal amount thereof and accrued interest thereon, without premium, from funds in the Sinking Fund Account in the Debt Service Fund in the years and amounts as follows:

**2004 Series D Bonds
Maturing August 15, 2024**

Date	Amount	Date	Amount
August 15, 2005	\$15,000	August 15, 2015	\$25,000
February 15, 2006	15,000	February 15, 2016	25,000
August 15, 2006	15,000	August 15, 2016	25,000
February 15, 2007	15,000	February 15, 2017	25,000
August 15, 2007	15,000	August 15, 2017	30,000
February 15, 2008	15,000	February 15, 2018	30,000
August 15, 2008	20,000	August 15, 2018	30,000
February 15, 2009	20,000	February 15, 2019	30,000
August 15, 2009	20,000	August 15, 2019	30,000
February 15, 2010	20,000	February 15, 2020	30,000
August 15, 2010	20,000	August 15, 2020	35,000
February 15, 2011	20,000	February 15, 2021	35,000
August 15, 2011	20,000	August 15, 2021	35,000
February 15, 2012	20,000	February 15, 2022	35,000
August 15, 2012	20,000	August 15, 2022	35,000
February 15, 2013	20,000	February 15, 2023	35,000
August 15, 2013	25,000	August 15, 2023	40,000
February 15, 2014	25,000	February 15, 2024	40,000
August 15, 2014	25,000	August 15, 2024	40,000
February 15, 2015	25,000	(maturity)	

**2004 Series D Bonds
Maturing August 15, 2039**

Date	Amount	Date	Amount
February 15, 2025	\$40,000	August 15, 2032	\$60,000
August 15, 2025	40,000	February 15, 2033	60,000
February 15, 2026	45,000	August 15, 2033	65,000
August 15, 2026	45,000	February 15, 2034	65,000
February 15, 2027	45,000	August 15, 2034	65,000
August 15, 2027	45,000	February 15, 2035	70,000
February 15, 2028	45,000	August 15, 2035	70,000
August 15, 2028	50,000	February 15, 2036	70,000
February 15, 2029	50,000	August 15, 2036	75,000
August 15, 2029	50,000	February 15, 2037	75,000
February 15, 2030	50,000	August 15, 2037	75,000
August 15, 2030	55,000	February 15, 2038	80,000
February 15, 2031	55,000	August 15, 2038	80,000
August 15, 2031	55,000	February 15, 2039	85,000
February 15, 2032	60,000	August 15, 2039	85,000
		(maturity)	

Amounts of annual sinking fund installments shown in the table above are subject to reduction as a result of optional or special redemption of the related 2004 Series D Bonds subject to mandatory sinking fund redemption as set forth above, as applicable. At the time of any special or optional redemption of any such 2004 Series D Bonds, the amount of each related future sinking fund installment will be reduced as shall be determined in an Officer's Certificate such that the total amount of such reductions equals the amount of such special or optional redemption. The amounts accumulated for each sinking fund installment may be applied by the Trustee to the purchase of the 2004 Series D Bonds for which such sinking fund installment is established at any time prior to the thirtieth day preceding the redemption date from such sinking fund installment.

Optional Redemption Provisions

The 2004 Series D Bonds are subject to redemption, at the option of the Agency, either in whole or in part at any time on or after February 15, 2014, by lot within a maturity, from maturities selected by the Agency, from moneys deposited in the Optional Redemption Account in the Redemption Fund, at a price equal to 100% of the principal amount so redeemed plus accrued interest to the date of redemption.

Special Redemption Provisions

The 2004 Series D Bonds are subject to redemption, at the option of the Agency, by operation of the Redemption Fund, in whole or in part at any time at a price equal to 100% of the principal amount so redeemed plus accrued interest, by lot within a maturity, from maturities selected by the Agency, from (a) unexpended proceeds of the 2004 Series D Bonds in the applicable subaccount in the Mortgage Loan Account, (b) excess moneys in the applicable subaccount in the Mortgage Reserve Fund, (c) excess moneys in the Debt Service Reserve Fund, (d) Recovery Payments or (e) on or after February 15, 2014, Prepayments.

Notice of Redemption of Bonds

When the Trustee receives notice from the Agency, according to the provisions of the Resolutions, the Trustee is to give notice of redemption of the 2004 Series D Bonds by mailing a copy of such notice by first-class mail, postage prepaid, not less than 30 days and not more than 60 days before the redemption date, to the registered owners of all 2004 Series D Bonds, or portions thereof to be redeemed at their addresses appearing on the registration books of the Agency maintained by the Trustee, provided that failure to mail such notice to any holder of a 2004 Series D Bond or any defect in such notice shall not affect the redemption of any other 2004 Series D Bonds for which the required notice has been given. The Series Resolution provides that while the 2004 Series D Bonds are in the Book-Entry System, the Trustee is to mail copies of such notice not less than 25 days and not more than 60 days before the redemption date to DTC with a request of DTC to forward such notice to the Participants so that they may forward such notice to the Beneficial Owners. Neither the Agency nor the Trustee can make any assurance that DTC, the Direct Participants or the Indirect Participants will distribute such redemption notices to the Beneficial Owners of the 2004 Series D Bonds, or that they will do so on a timely basis.

The obligation of the Trustee to give the notice required by the General Resolution shall not be conditioned upon the prior payment to the Trustee or Paying Agent of moneys or Investment Obligations sufficient to pay the Redemption Price of the Bonds to which such notice relates or the interest thereon to the redemption date.

Additional Bonds

The General Resolution permits the issuance of additional Bonds thereunder for the purpose of providing funds for the purposes set forth in the General Resolution and, in addition, to refund outstanding Bonds issued under the General Resolution. Any additional Bonds issued under the General Resolution will be on a parity with the outstanding Bonds and the 2004 Series D Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution. The General Resolution provides that upon the issuance of any such additional Bonds there will be deposited in the Debt Service Reserve Fund so much of the proceeds thereof as is required to establish the amount therein at, or to increase the amount therein to, the Debt Service Reserve Requirement.

No additional Series of Bonds is permitted to be issued subsequent to the issuance of the initial Series of Bonds under the General Resolution unless (a) the principal amount of the additional Bonds then to be issued, together with the principal amount of the Bonds and other obligations of the Agency theretofore issued, will not, in the opinion of counsel to the Agency, exceed in aggregate principal amount any limitation thereon imposed by law; (b) as evidenced by an Officer's Certificate, at the time of the issuance of such Bonds, other than refunding Bonds, there is no deficiency in any Funds or Accounts created by the General Resolution other than the Debt Service Reserve Fund and that upon the issuance and delivery of the additional Series of Bonds and the application of the proceeds thereof, the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Requirement; and (c) as evidenced by an Officer's Certificate, after such issuance, there shall be no material adverse effect on the ability of the Agency to pay the Principal Installments of and interest on the Bonds then outstanding. The Agency expressly reserves the right to adopt one or more other general bond resolutions and reserves the right to issue other obligations so long as such obligations do not constitute a charge or lien prohibited by the General Resolution.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2004 Series D Bonds, exclusive of accrued interest, are as follows:

Sources of Funds

Principal Amount of 2004 Series D Bonds.....	\$2,810,000.00
Agency Contribution	<u>80,000.00</u>
Total Sources.....	<u>\$2,890,000.00</u>

Uses of Funds

Mortgage Loan Account	\$2,632,000.00
Debt Service Reserve Fund	175,447.50
Revenue Fund	17,552.50
Costs of Issuance	<u>65,000.00</u>
Total Uses.....	<u>\$2,890,000.00</u>

SECURITY FOR THE 2004 SERIES D BONDS

The 2004 Series D Bonds will be payable from and secured equally and ratably with all Bonds issued or to be issued pursuant to the General Resolution by, among other things, a pledge of the Revenues and all moneys, securities, Mortgage Loans and Funds or Accounts held or set aside or to be held or set aside pursuant to the General Resolution, except the 2004 Series D Rebate Account and any rebate account held pursuant to the General Resolution in respect of any other Series of Bonds. In addition, the 2004 Series D Bonds will be general obligations of the Agency payable out of any of the Agency’s revenues, moneys or assets, subject to agreements heretofore or hereafter made with holders of notes and bonds other than the Bonds.

Revenues

Revenues are all payments, proceeds, charges, rents and all other income derived in cash by or for the account of the Agency from or relating to the Program, including, without limiting the generality of the foregoing, scheduled amortization payments of principal of and interest on Mortgage Loans but not including Escrow Payments, Prepayments, Recovery Payments, Acquired Development Operating Income or financing or commitment fees or any payments or charges constituting construction or operating contingency, performance or completion payments or replacement reserves required pursuant to the applicable Mortgage Loan.

All Revenues are deposited by the Trustee into the Revenue Fund. Moneys in the Revenue Fund are withdrawn monthly and deposited in the Funds and Accounts set forth below but only after maximum payment is made into each such Fund in accordance with the following order of priority:

- (a) Into the Debt Service Fund, to the extent, if any, needed to increase the amount in the Debt Service Fund so that it equals the Debt Service Requirement;
- (b) Into the Debt Service Reserve Fund, to the extent, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Requirement;

(c) Into the Acquired Development Expense Fund, to the extent, if any, needed to increase the amount in the Acquired Development Expense Fund so that it equals the Acquired Development Expense Requirement;

(d) Into the Mortgage Reserve Fund, to the extent, if any, needed to increase the amount in the Mortgage Reserve Fund so that it equals the Mortgage Reserve Fund Requirement;

(e) Into the 2004 Series D Rebate Account or any other rebate account established pursuant to a series resolution, to the extent, if any, required by the provisions of the applicable series resolution; and

(f) Into the General Fund, to any extent.

For further discussion of the Funds and Accounts set forth above, see “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

Mortgage Loans

The Bonds will be secured by a pledge of and lien upon all Mortgage Loans made with the proceeds of all Bonds.

The Agency covenants in the General Resolution, among other things, that Mortgage Loans financed with the proceeds of Bonds shall have scheduled payments of principal and interest or other legally enforceable payments available for payment of Principal Installments of and interest on Bonds upon completion of construction of the related developments which, when added to amounts, if any, to be withdrawn from the Capitalized Interest Accounts shall be sufficient to pay the Principal Installments of and interest on the related Bonds.

Additionally, the Agency covenants that at annual intervals the Agency shall file with the Trustee an Officer’s Certificate setting forth a schedule of anticipated Revenues to be derived from all Mortgage Loans outstanding or anticipated to be made after giving effect to any estimated Prepayments and stating that the Agency expects that such Prepayments will be made on or before the dates as of which they have been estimated to be made in such schedule, together with a schedule of Principal Installments of and interest on all Bonds outstanding after giving effect to any redemptions and purchases to be made with such Prepayments and showing that such anticipated Revenues and Prepayments, together with any other amounts held in the Mortgage Loan Accounts, the Debt Service Fund, the Debt Service Reserve Fund, the Mortgage Reserve Fund and the Redemption Fund together with all Revenues estimated to be earned on such Funds and Accounts will at least be sufficient to pay as and when due all of such Principal Installments and interest.

It is expected that the interest rate on the Mortgage Loan financed by the 2004 Series D Bonds will equal or exceed the interest cost on the 2004 Series D Bonds. The scheduled payments of the principal of and the interest on the 2004 Series D Bonds have been based on the assumed receipt of mortgage payments paid to the Agency on the Mortgage Loan financed with proceeds of the 2004 Series D Bonds, together with certain investment income on certain Funds and Accounts established by the Resolutions, to the extent provided therein, and the use of moneys in the Debt Service Reserve Fund. To the extent that such investment income differs from the amounts estimated to be received, or if any Mortgage Loans go into default, the moneys available for the payment of the principal of and interest on the 2004 Series D Bonds may be affected. As described elsewhere in this Private Placement Memorandum, moneys may be available from other sources including the Debt Service Reserve Fund and the Mortgage Reserve Fund.

For a description of certain matters that may adversely affect the security for the Bonds, including the 2004 Series D Bonds, see Appendix IV hereto.

Mortgage Reserve Fund

The General Resolution establishes a mortgage reserve fund (the “Mortgage Reserve Fund”) and provides that the mortgage reserve fund requirement (the “Mortgage Reserve Fund Requirement”) shall be the aggregate of the amounts, if any, which may be determined with respect to each series of Bonds pursuant to a series resolution. There presently is no amount in the Mortgage Reserve Fund. The Agency has determined that it will not make a deposit into the Mortgage Reserve Fund in connection with the issuance of the 2004 Series D Bonds.

Debt Service Reserve Fund

The General Resolution establishes a debt service reserve fund (the “Debt Service Reserve Fund”) and specifies a debt service reserve fund requirement (the “Debt Service Reserve Requirement”). The Debt Service Reserve Requirement is an amount as of any particular date of computation equal to the maximum amount required in any single current or future Fiscal Year for Principal Installments of and interest on the Bonds outstanding on said date of computation other than Bonds issued for the purpose of funding the Debt Service Reserve Fund. An amount at least sufficient to bring the Debt Service Reserve Fund up to the Debt Service Reserve Requirement will be deposited in the Debt Service Reserve Fund from the 2004 Series D Bond proceeds.

If after making transfers to the Debt Service Fund from a Capitalized Interest Account and any transfers, if any, from the Mortgage Reserve Fund there shall not be a sufficient amount in the Debt Service Fund to make payment of Principal Installments of or interest on the Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Debt Service Fund the amount of such deficiency.

The General Resolution provides that in order to assure the maintenance of the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement and in compliance with the requirements of the Act, the Chairman of the Agency must annually, on or about February 1, make and deliver to the Governor of the State a certificate stating the amount, if any, required to restore the Debt Service Reserve Fund to the amount of the Debt Service Reserve Requirement. The sum so certified may be appropriated by the State and, if appropriated, paid to the Agency. Any moneys received by the Agency from the State pursuant to any such certification, in accordance with the provisions of the Act and the Resolutions, shall be deposited in the Debt Service Reserve Fund. To date, the Chairman has never been required to certify a sum to restore the Debt Service Reserve Fund Amount to meet the Debt Service Reserve Requirement.

As of the date hereof, the amount on deposit in the Debt Service Reserve Fund is at least equal to the Debt Service Reserve Requirement.

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

Certain Definitions

The following are definitions in summary form of certain terms contained in the General Resolution and used herein:

“*Acquired Development*” means a Development or a portion thereof possessed by the Agency as a result of the protection or enforcement of its rights conferred by law or the applicable Mortgage Loan.

“*Acquired Development Expense Requirement*” means the amount of money as may be fixed or determined from time to time by an Officer’s Certificate filed with the Trustee to be necessary for the payment of any costs and expenses incurred by the Agency in connection with the possession or ownership of an Acquired Development.

“*Debt Service Requirement*” means, as of any particular date of calculation and with respect to the Bonds outstanding on said date of calculation, an amount equal to any unpaid interest then due, plus any interest to become due at or before the Interest Payment Date next ensuing, plus any unpaid Principal Installment then due, plus any Principal Installment becoming due at or before the Principal Installment Date next ensuing.

“*Debt Service Reserve Requirement*” means, as of any particular date of calculation, an amount equal to the maximum amount required in any single current or future fiscal year for Principal Installments of and interest on the Bonds outstanding on said date of computation other than Bonds issued for the purpose of funding the Debt Service Reserve Fund or such additional amount as may be determined by a series resolution or Supplemental Bond Resolution.

“*Escrow Payment*” means all payments with respect to any Mortgage Loan made to the Agency in order to obtain or maintain mortgage insurance and fire and other hazard insurance including payments for any federal, state, local or private program intended to assist in providing Mortgage Loans and any payments required to be made with respect to any Mortgage Loan for taxes or other governmental charges or other similar charges to a mortgagor customarily required to be escrowed.

“*Investment Obligations*” means any of the following which at the time are legal investments for moneys of the Agency: (1) direct general obligations of the United States of America and obligations (including obligations of any federal agency or corporation) the payment of the principal and interest on which are unconditionally guaranteed by the full faith and credit of the United States of America; (2) any non-callable or irrevocably called, refunded bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (1) hereof and which at their time of purchase under the Resolutions bear the highest rating available from each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (3) obligations of any of the following: Bank for Cooperatives, Federal Intermediate Credit Banks, Federal Financing Bank, Federal Land Banks, Federal Home Loan Bank System, Federal Farm Credit Bank, Federal National Mortgage Association (excluding “stripped” securities), Export-Import Bank of the United States, Farmers Home Administration, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Student Loan Marketing Association, or Tennessee Valley Authority; (4) public housing bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; (5) obligations of any state of the United States or of any political subdivision or public agency or instrumentality thereof, including the Agency, provided that at the time of their purchase under the General Resolution such obligations are rated no lower than the rating assigned to the Bonds by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (6) direct obligations of or obligations guaranteed by the State, provided that at the time of their purchase under the General Resolution such obligations are rated no lower than the unenhanced rating assigned to the Bonds by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (7) prime commercial paper of a corporation incorporated under the laws of any state of the United States

of America, having at the time of their purchase the highest rating category available from each nationally recognized credit rating agency then maintaining a credit rating on the Bonds; (8) interest-bearing time deposits, certificates of deposit or other similar banking arrangements with banks, provided such deposits are either made with banks having a rating no lower than the rating on the Bonds or are fully collateralized and secured by obligations described in clauses (1) through (6) above, which at all times have a market value (exclusive of accrued interest) at least equal to such deposit so secured, including interest; (9) shares of a diversified open-end money market fund which has either been rated by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds at a level which will not adversely affect the unenhanced ratings on the Bonds or which is invested in obligations described in clauses (1) through (6) above; (10) repurchase agreements for obligations of the type specified in clauses (1), (2) and (3) above, provided either such repurchase agreement is an unconditional obligation of the provider thereof and the provider is rated at a level which will not adversely affect the unenhanced rating on the Bonds or such repurchase agreements are fully collateralized and secured by such obligations which have a market value (exclusive of accrued interest) at least equal to the purchase price of such repurchase agreement; and (11) investment agreements with banks, bank holding companies, insurance companies or other financial institutions, or any other investment obligation or deposit, the investment in which will not adversely affect the then current unenhanced ratings, if any, assigned to the Bonds by each nationally recognized credit rating agency then maintaining a credit rating on the Bonds.

“*Mortgage Loan*” means an interest-bearing loan made by the Agency to a Mortgagor for the financing of a Development secured by a Mortgage on such Development.

“*Mortgage Reserve Fund Requirement*” means the aggregate of amounts, if any, which may be determined with respect to each Series of Bonds pursuant to a series resolution, to be maintained in the Mortgage Reserve Fund.

“*Prepayments*” means any moneys received or recovered from any payment of principal or interest on any Mortgage Loan prior to the scheduled payments of principal and interest called for by such Mortgage Loan, other than moneys constituting a Recovery Payment, including any prepayment penalty, fee, premium or other additional charge as may be provided by the terms of such Mortgage Loan and any moneys received or recovered from the sale, assignment or other disposition of a Mortgage Loan other than moneys constituting a Recovery Payment.

“*Principal Installment*” means, as of any particular date of calculation, an amount of money equal to the sum of (a) the principal amount of outstanding Bonds which mature on a single future date, reduced by the aggregate principal amount of such outstanding Bonds which would at or before said future date cease to be outstanding by reason, but only by reason, of the application in accordance with the General Resolution of sinking fund installments at or before said future date, and (b) the amount of any sinking fund installment required to be paid on said future date.

“*Program*” means the Agency’s program of making Mortgage Loans, including the payment when due of principal and redemption premium, if any, of and interest on Notes.

“*Rebate Provision*” means Section 148(f) of the Internal Revenue Code of 1986 (the “Code”).

“*Recovery Payment*” means any moneys received or recovered by the Agency, less the expenses necessarily incurred by the Agency in connection with the collection of such amount, from the (i) condemnation of mortgaged premises, (ii) proceedings taken in the event of default by the Mortgagor, (iii) any claim settlement for mortgage insurance, guarantee or hazard insurance, (iv) the sale or other disposition of an Acquired Development and (v) the sale or other disposition of a Mortgage Loan which is

in default for the purpose of realizing on the Agency's interest therein; but not including payments or charges constituting construction or operating contingency, performance or completion payments or replacement reserves required pursuant to the applicable Mortgage Loan.

“*Revenues*” means all payments, proceeds, charges, rents and all other income derived in cash by or for the account of the Agency from or related to the Program, including, without limiting the generality of the foregoing, scheduled amortization payments of principal of and interest on Mortgage Loans, but not including Prepayments, Recovery Payments, Acquired Development Operating Income, Escrow Payments or financing fees or commitment fees or any payments or charges constituting construction or operating contingency, performance or completion payments or replacement revenues required pursuant to the applicable Mortgage Loan.

Additional Bonds

Issuance of additional Bonds is conditioned upon, among other things: (i) that the principal amount of the additional Bonds to be issued, together with the principal amount of the Bonds and other obligations of the Agency theretofore issued, will not, in the opinion of counsel to the Agency, exceed in aggregate principal amount any limitation thereon imposed by law; (ii) at the time of the issuance of such Bonds, other than refunding Bonds, there is no deficiency in any Fund or Account created by the General Resolution other than the Debt Service Reserve Fund and that upon the issuance and delivery of the additional Series of Bonds and the application of the proceeds thereof, the Debt Service Reserve Fund shall not be less than the Debt Service Reserve Requirement; and (iii) that, after such issuance, there shall be no adverse material effect on the ability of the Agency to pay the Principal Installments of and interest on the Bonds then outstanding.

The Agency may adopt one or more other general bond resolutions and reserves the right to issue other obligations thereunder, so long as such obligations are not secured by a charge or lien on the Revenues or any of the Funds or Accounts established and created by or pursuant to the General Resolution.

The Agency may issue refunding Bonds of one or more Series pursuant to a series resolution or resolutions to refund any outstanding Bonds whether by payment at maturity or by redemption.

Pledge of Revenues and Funds

A pledge of the Mortgage Loans and the documents evidencing and rights incident to such Mortgage Loans, Revenues, Prepayments, Recovery Payments, Acquired Development Operating Income and all moneys, securities and Funds or accounts held or set aside or to be held or set aside pursuant to the General Resolution by any Fiduciary (except Escrow Payments and the Multi-Family Escrow Payment Account) is made and the same are pledged to secure the payment of the principal or Redemption Price of and interest on the Bonds except that the Agency may use receipts derived from the operation of Acquired Developments for the payment of costs and expenses incurred in connection with the possession or ownership of Acquired Developments.

Application of Bond Proceeds

Of the proceeds of sale of Bonds of each Series, including accrued interest, the following amounts shall, on the date of the delivery of such Bonds by the Agency, be paid as follows:

- (a) To the Trustee, to be held in the Debt Service Reserve Fund, such amount, if any, necessary to increase the amount in the Debt Service Reserve Fund to the Debt Service Reserve Requirement;
- (b) To the Trustee, to be held in the Debt Service Fund, the amount, if any, of interest accrued from the date of such Bonds to the date of delivery of such Bonds;
- (c) To the Trustee, to be held in the Mortgage Reserve Fund, the amount, if any, as shall be specified in the applicable series resolution;
- (d) To the Trustee, to be held in the applicable Cost of Issuance Account, the amount, if any, as shall be specified in the applicable series resolution as necessary to pay or provide for the payment of Costs of Issuance;
- (e) To the Trustee, to be held in the applicable Capitalized Interest Account, the amount, if any, as shall be specified in the applicable series resolution to be deposited therein for payment of interest on Bonds;
- (f) To the Trustee, to be held in the applicable Note Repayment Account established by the series resolution authorizing the issuance of such Bonds, the amount of proceeds derived from the sale of such series of bonds, if any, as shall be specified in said series resolution for the purpose of paying the principal of, redemption premiums, if any, and interest on the Notes; and
- (g) To the Trustee, to be held in the applicable Mortgage Loan Account, or in the event of the issuance of refunding Bonds, to the Trustee to be held in the Redemption Fund, the balance of such proceeds remaining after the foregoing payments.

Establishment of Funds

The General Resolution establishes the following Funds, which shall be special Funds held by the Trustee:

- (a) Revenue Fund;
- (b) Debt Service Fund, including Sinking Fund Accounts;
- (c) Debt Service Reserve Fund;
- (d) Acquired Development Expense Fund;
- (e) Redemption Fund:
 - (i) Optional Redemption Account; and
 - (ii) Special Redemption Account;
- (f) Mortgage Reserve Fund; and

- (g) Program Fund:
 - (i) Mortgage Loan Accounts;
 - (ii) Cost of Issuance Accounts;
 - (iii) Capitalized Interest Accounts; and
 - (iv) Note Repayment Accounts.

The General Resolution establishes the Multi-Family Escrow Payment Account within the General Fund which shall be a special account held by the Agency. In addition, the Series Resolution establishes the 2004 Series D Rebate Account.

Application of Revenues and Other Moneys

All Revenues, Prepayments, Recovery Payments and Acquired Development Operating Income shall be collected by or on behalf of the Agency and deposited on the date of receipt thereof, as far as practicable, in the name of the Trustee with a depository or depositories, each fully qualified under the General Resolution to receive the same as deposits of moneys held by the Trustee and statements giving the amount of each such deposit and the name of the depository shall be forwarded promptly to the Trustee by or on behalf of the Agency and by such depository. The Trustee shall be responsible to account only for moneys actually so deposited.

All Revenues shall be paid by the Trustee into and credited to the Revenue Fund.

All Prepayments shall be paid by the Trustee into and credited to the applicable Mortgage Loan Account in the Program Fund or the Optional Redemption Account in the Redemption Fund as directed by the Agency except that a portion of any Prepayment may, pursuant to the General Resolution, be paid into and credited to the Debt Service Fund.

All Recovery Payments shall be paid by the Trustee into and credited to the Special Redemption Account in the Redemption Fund.

Acquired Development Operating Income shall be paid by the Trustee into and credited to the Acquired Development Expense Fund to the extent, if any, required to restore such Fund to the Acquired Development Expense Requirement, and the remaining Acquired Development Operating Income shall be paid by the Trustee into and credited to the Revenue Fund.

All Escrow Payments shall be deposited in the Multi-Family Escrow Payment Account.

All payments or charges constituting construction or operating contingency, performance or completion payments, or replacement reserves required pursuant to the applicable Mortgage Loan shall be deposited in the Mortgage Loan Account relating to such Mortgage Loan.

In the event that the Agency receives a single payment constituting Revenues, Prepayments, Recovery Payments, Acquired Development Operating Income, Escrow Payments or any combination thereof, the Agency shall segregate such payment into Revenues, Prepayments, Recovery Payments or Escrow Payments, as the case may be, prior to making the deposit.

The Trustee, as of the first day of each month and within five business days thereafter, shall, out of any moneys in the Revenue Fund make payments into the following several Funds (or the General Fund), but as to each Fund (or the General Fund) only within the limitation herein below indicated with respect thereto and only after maximum payment within such limitation into every such Fund previously mentioned in the following tabulation:

FIRST, into the Debt Service Fund, to the extent, if any, needed to increase the amount in the Debt Service Fund so that it equals the Debt Service Requirement;

SECOND, into the Debt Service Reserve Fund, to the extent, if any, needed to increase the amount in the Debt Service Reserve Fund so that it equals the Debt Service Reserve Requirement;

THIRD, into the Acquired Development Expense Fund, to the extent, if any, needed to increase the amount in the Acquired Development Expense Fund so that it equals the Acquired Development Expense Requirement;

FOURTH, into the Mortgage Reserve Fund, to the extent, if any, needed to increase the amount in the Mortgage Reserve Fund so that it equals the Mortgage Reserve Fund Requirement;

FIFTH, into the 2004 Series D Rebate Account or any other rebate account established pursuant to a series resolution, to the extent, if any, required by the provisions of the applicable series resolution; and

SIXTH, into the General Fund, to any extent.

Application of Funds

Debt Service Fund. The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; and (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date.

The Trustee shall establish and maintain in the Debt Service Fund a separate Account for the particular outstanding Bonds of each Series which are designated as Term Bonds and for which Sinking Fund Installments are established in accordance with the series resolution. If all previously required or authorized withdrawals from the Debt Service Fund shall have been made, the Trustee shall, on any Principal Installment Date, withdraw from the Debt Service Fund the amount of any excess therein over the Debt Service Requirement and the Trustee shall deposit the amount so withdrawn in the Revenue Fund.

The interest earned or other income derived from the investment or deposit of moneys in the Debt Service Fund shall be transferred by the Trustee upon receipt thereof to the Revenue Fund.

Debt Service Reserve Fund. The Agency shall pay into the Debt Service Reserve Fund any moneys paid to the Agency pursuant to the Act for the purpose of restoring the Debt Service Reserve Fund to the amount of the Debt Service Reserve Requirement; such portion of the proceeds of sale of Bonds, if any, as shall be provided by the series resolution authorizing the issuance thereof; and the Trustee shall deposit in and credit to the Debt Service Reserve Fund all moneys transferred from the Revenue Fund.

If, after making certain transfers from Capitalized Interest Accounts within the Program Fund and from the Mortgage Reserve Fund, there are insufficient amounts in the Debt Service Fund to make payment of Principal Installments of or interest on the Bonds, the Trustee shall withdraw from the Debt Service Reserve Fund and pay into the Debt Service Fund the amount of the deficiency.

In the event there are sufficient moneys in the Funds and Accounts created by the General Resolution and pledged to the payment of Bonds to pay the Redemption Price of and interest on all Bonds outstanding, the Agency may elect to redeem all bonds outstanding pursuant to the General Resolution. In the event the Agency elects to redeem the outstanding Bonds, upon compliance with the provisions of the General Resolution, the Trustee shall transfer to the Optional Redemption Account in the Redemption Fund the amount required for the redemption of such Bonds which shall be applied to such redemption.

On any Interest Payment Date, if all withdrawals or payments from the Debt Service Reserve Fund required by any other provision of the General Resolution with respect to the same and every prior date shall have sooner been made, the Trustee shall withdraw from the Debt Service Reserve Fund the amount of any excess therein over the Debt Service Reserve Requirement attributable to interest or other income derived from the investment or deposit of the Debt Service Reserve Fund and deposit the same in the Revenue Fund, and, upon receipt of an Officer's Certificate signed by an Authorized Officer, shall withdraw from the Debt Service Reserve Fund the amount of any excess therein over the Debt Service Reserve Requirement attributable to a decrease in the Debt Service Reserve Requirement and deposit the same in the Debt Service Fund.

Mortgage Reserve Fund. Amounts held in the Mortgage Reserve Fund shall be transferred to the Debt Service Fund to restore a deficiency therein or to the Redemption Fund, if directed by the Agency, to make payments of Principal Installments or redemption price of and interest on the Bonds.

Redemption Fund. The Redemption Fund includes a Special Redemption Account and an Optional Redemption Account. Amounts in the Special Redemption Account are to be applied by the Trustee for the purchase or redemption of Bonds at a price and premium as set forth in the applicable series resolution. Amounts in the Optional Redemption Account are to be applied by the Trustee for the purchase or redemption of Bonds at a price set forth in the applicable series resolution. The Agency shall direct the selection of the series of Bonds to be purchased, and the amount and maturities of the Bonds to be redeemed. Such purchases or redemptions shall be made by the Trustee in the manner provided in the Resolutions.

Prior to any purchase or redemption of Bonds the Agency shall have filed with the Trustee an Officer's Certificate setting forth a schedule of anticipated Revenues to be derived from all Mortgage Loans outstanding and anticipated to be made, after giving effect to any estimated Prepayments and stating that the Agency expects that such Prepayments will be made on or before the dates as of which they have been estimated to be made in such schedule, together with a schedule of Principal Installments of and interest on all Bonds which will be outstanding after giving effect to such purchase or redemption as determined pursuant to the Resolutions, and other purchases and redemptions expected to be made with such Prepayments, and showing that such anticipated Revenues, together with any other amounts to be held in the Mortgage Loan Accounts, Debt Service Fund, the Debt Service Reserve Fund, the Mortgage Reserve Fund and the Redemption Fund together with all Revenues estimated to be earned on the Funds and Accounts after such purchase or redemption, will at least be sufficient to pay as and when due all of such Principal Installments and interest.

Acquired Development Expense Fund. Moneys deposited in the Acquired Development Expense Fund pursuant to the General Resolution shall be applied to the payment of any of the costs and expenses incurred by the Agency in connection with Acquired Developments. In the event that the

Agency is in possession of an Acquired Development, the Agency shall, on a monthly or other reasonable basis, file with the Trustee an Officer's Certificate stating the amounts required (less the unencumbered amount remaining from the previous filing period) by the Agency for operation and maintenance of such Acquired Developments, stating in general the purpose of such costs and expenses. Upon receipt of such Officer's Certificate, the Trustee shall transfer to the Agency the amount so required for payment by the Agency of such costs and expenses. The Agency shall keep proper books and records of its expenditures in connection with Acquired Developments which shall be available for inspection by the Trustee at reasonable times.

Multi-Family Escrow Payment Account. Escrow Payments received by the Agency, whether separately or as part of some other payment shall be deposited in the Multi-Family Escrow Payment Account and shall be promptly applied by the Agency to the purpose for which such payments were received, and any such payments received by the Trustee, whether separately or as part of some other payment, shall immediately be paid by the Trustee to the Agency and applied by the Agency in the manner set forth above.

General Fund. Except as provided in the General Resolution, all amounts paid to the Agency for deposit in the General Fund shall be free and clear of any lien or pledge created by the General Resolution and may be used for any lawful purpose, including without limiting the generality of the foregoing payments to the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Redemption Fund, any Mortgage Loan Account, the Multi-Family Escrow Payment Fund or the Acquired Development Expense Fund.

Rebate Account. The Series Resolution establishes in the General Fund a separate trust account to be held by the Trustee and designated the "2004 Series D Rebate Account." Amounts in such Rebate Account are not subject to the pledge or lien of the General Resolution. Amounts on deposit in such Rebate Account will be applied as provided in the Series Resolution. With respect to the 2004 Series D Bonds, the Agency will pay or cause to be paid from the Rebate Account to the United States on behalf of the Agency an amount equal to the amount determined in accordance with the Code of certain investment earnings to the extent such investment earnings exceed the amount that would have been earned on such investments if the investments had been invested at a rate of return equal to the yield on the 2004 Series D Bonds, plus any income attributable to the investment of such excess. If the amount on deposit in the Rebate Account is insufficient for such payment, the Agency has covenanted to make up the deficiency from its own funds.

Investment of Certain Funds and Accounts

Moneys in the Funds and Accounts held under the General Resolution shall be invested in Investment Obligations the maturity or redemption date of which shall coincide as nearly as practicable with the times at which moneys in said Funds or Accounts will be required for the purposes provided in the General Resolution. In lieu of the investment of moneys in Investment Obligations, the Trustee shall, upon written direction of an authorized officer of the Agency, deposit moneys held by it under the General Resolution in certificates of deposit or in interest-bearing time deposits, or shall make other similar banking arrangements with itself or a member bank or banks of the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation, and provided that, except for deposits of moneys held in the Revenue Fund and so deposited or deposits covered by insurance with the Federal Deposit Insurance Corporation, such deposits or other similar banking arrangement shall be continuously secured as to both principal and interest by (i) Investment Obligations, (ii) bonds, notes or other obligations of the Agency, (iii) direct and general obligations of any state of the United States or of any political subdivision of the State rated in either of the two highest rating categories by a nationally

recognized bond rating agency, all of which shall have a market value equal at all times to the amount of such deposits.

The Agency has covenanted not to permit any of the proceeds of the Bonds or any other funds of the Agency to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bonds to be an “arbitrage bond” as defined in Section 148(a) of the Code.

Events of Default

Events of Default specified in the General Resolution include failure to pay principal or redemption price of or interest on any Bond when due; failure to redeem Bonds subject to redemption by operation of Sinking Fund Installments in a principal amount equal to such Sinking Fund Installment when due; failure of the Chairman of the Agency to certify to the Governor or Governor-elect, or, upon such certification, failure of the State to appropriate and pay to the Agency deficiencies in the Debt Service Reserve Fund during the then current State fiscal year as provided for under the Act and in the General Resolution; failure for 90 days after written notice thereof in the performance or observance of any other covenant, contract or other provision in the Bonds or the Resolutions; and the filing by the Agency of a petition a composition of indebtedness under the federal bankruptcy laws, or a federal or Vermont statute.

Remedies

Upon the happening and continuance of an Event of Default, the Trustee in its own name on behalf and for the benefit and protection of the holders of all Bonds and coupons may proceed, and upon the written request of the holders of not less than 25% in principal amount of the Bonds then outstanding, shall proceed, to protect and enforce its rights and, to the full extent available to the holders of such Bonds themselves, the rights of the holders of such Bonds under the laws of the State or under the Resolutions by such suits, actions or proceedings in equity or at law, for the specific performance of any covenant or contract contained therein, or in aid or execution of any power therein granted, or for any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights.

Supplemental Resolutions

The Agency may adopt (without the consent of any holders of the Bonds but with the consent of the Trustee) Supplemental Resolutions for the following purposes: (i) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolutions; (ii) to provide for additional duties of the Trustee in connection with the Mortgage Loans or to expand the duties or responsibilities of the Trustee; (iii) to insert such provisions clarifying matters or questions arising under the Resolutions as are necessary or desirable and are not contrary to or inconsistent with the Resolutions as in effect at such time; (iv) to make such modifications or changes that are not materially adverse to the interests of the Bondholders, in the judgment of the Trustee, which may rely on an opinion of counsel; (v) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds or any credit provider, including any bond insurer, any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders of the Bonds or any credit provider, including any bond insurer, or the Trustee or any of them; (vi) to make any modifications or changes that shall adversely affect the Trustee’s rights, immunities and protections; and (vii) to make any and all changes necessary to implement credit enhancement, including bond insurance, which do not adversely affect the ratings of the Bonds.

Defeasance

If the Agency pays the Principal Amount, interest and Redemption Price, if any, to become due on all outstanding Bonds, then the pledge of Revenues and other moneys, securities and funds and all the rights granted by the General Resolution will be discharged and satisfied. All Outstanding Bonds of any series will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of the foregoing sentence, if among other things, there has been deposited with the Trustee either money in an amount sufficient or Investment Obligations as defined in clauses (i) and (ii) of the definition of Investment Obligations the principal of and interest on which when due will provide money in an amount sufficient to pay when due the Principal Amount or Redemption Price, if applicable, of and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be.

TRUSTEE

The Trustee for the 2004 Series D Bonds is Banknorth, National Association, Williston, Vermont. The Trustee also serves as bond trustee for other outstanding bonds of the Agency.

The Trustee is a bank holding company incorporated in Maine and headquartered in Portland, Maine. In addition, Banknorth engages in permitted insurance agency activities, and it owns other non-operating subsidiaries.

PLEDGE AND AGREEMENT OF THE STATE

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

The Act provides that bonds and other obligations of the Agency will not be deemed to constitute a debt or liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision, but will be payable solely from revenues or assets of the Agency.

NO LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Agency, threatened, restraining or enjoining the issuance, sale, execution or delivery of the 2004 Series D Bonds or the making of any Mortgage Loans with the proceeds of the 2004 Series D Bonds, or in any way contesting or affecting any authority for the issuance of or the validity of the 2004 Series D Bonds, any proceedings of the Agency taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the 2004 Series D Bonds, or the existence or powers of the Agency.

FINANCIAL STATEMENTS OF THE AGENCY

The financial statements of the Agency for the year ended June 30, 2003 included in Appendix I have been audited by KPMG LLP, independent certified public accountants, whose report thereon is also included in Appendix I.

RATINGS

The 2004 Series D Bonds have been assigned the municipal bond ratings of “AA-” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and “Aa3” by Moody’s Investors Service, Inc.

Certain information was supplied by the Agency to the rating agencies to be considered in evaluating the 2004 Series D Bonds. The ratings issued reflect only the views of the rating agencies and any explanation of the significance of such ratings may be obtained only from the rating agencies. No assurance can be given that such ratings will be retained for any given period of time or that it will not be revised or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. The Agency or the Trustee undertakes no responsibility to bring to the attention of the holders of the 2004 Series D Bonds any revision or withdrawal of such ratings. Any such revision or withdrawal of such ratings obtained may have an adverse effect on the market price of the 2004 Series D Bonds.

APPROVAL OF LEGALITY

All legal matters related to the authorization, issuance, sale and delivery of the 2004 Series D Bonds are subject to the approval of Kutak Rock LLP, Bond Counsel. The unqualified approving opinion of Bond Counsel, substantially in the form attached hereto as Appendix V, is to be delivered with the 2004 Series D Bonds. Certain legal matters are to be passed upon for the Agency by Elizabeth Mullikin Drake, Esq., counsel to the Agency.

PLACEMENT

The 2004 Series D Bonds are being issued to, and will be purchased by, Fannie Mae from the Agency (without a placement agent) at a price equal to 100% of the principal amount thereof, plus accrued interest, if any. The Purchase Contract provides that Fannie Mae will purchase all the 2004 Series D Bonds upon issuance, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract between the Agency and Fannie Mae and the approval of certain legal matters by counsel and certain other conditions.

TAX MATTERS

2004 Series D Bonds

In the opinion of Kutak Rock LLP, Bond Counsel, to be delivered on the date of issuance of the 2004 Series D Bonds, and assuming compliance by the Agency with covenants in the Resolutions described in the succeeding paragraphs, under existing laws, regulations, rulings and judicial decisions, interest on the 2004 Series D Bonds is excluded from gross income for federal income tax purposes. The form of such Bond Counsel opinion is attached hereto as Appendix V.

Bond Counsel is further of the opinion that interest on the 2004 Series D Bonds is not a specific preference item for purposes of the alternative minimum tax provisions imposed by the Code on individuals and corporations. However, interest on the 2004 Series D Bonds is included in a corporation’s “adjusted current earnings,” and the alternative minimum taxable income of certain corporations must be increased by 75% of the excess of such corporation’s “adjusted current earnings” over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met with respect to the 2004 Series D Bonds subsequent to issuance in order that interest thereon be excluded from gross income for federal income tax purposes. Failure to comply with such applicable requirements could cause the interest on the 2004 Series D Bonds to be includable in gross income retroactive to the date of original issuance of the 2004 Series D Bonds. Certain of these requirements must be met on a continuous basis throughout the term of the 2004 Series D Bonds. These requirements include (a) limitations as to the use of the proceeds of the 2004 Series D Bonds and the use of the facilities financed by the 2004 Series D Bonds; (b) limitations on the extent to which amounts treated as proceeds of the 2004 Series D Bonds may be invested in higher-yielding investments; (c) a provision, subject to certain limited exceptions, that requires all investment earnings on amounts treated as proceeds of the 2004 Series D Bonds above the yield on the 2004 Series D Bonds to be paid to the United States Treasury. The Agency will covenant and represent in the Resolutions that it will take all steps to comply with the requirements of the Code to the extent necessary to maintain the exclusion of interest on the 2004 Series D Bonds from gross income for federal income tax purposes. The failure or inability of the Agency or the owner of the facilities to comply with these requirements could cause the interest on the 2004 Series D Bonds to be included in gross income from the date of issuance.

Section 148 of the Code sets forth, as a condition to the exclusion of interest from gross income for federal income tax purposes on governmental obligations, such as the 2004 Series D Bonds, certain restrictions regarding the investment of the "gross proceeds" of such obligations. These "arbitrage" provisions set forth limitations on the yield of investments acquired with "gross proceeds" of the 2004 Series D Bonds and also provide for periodic rebate of specified portions of the arbitrage profit derived from such investments. Failure to comply with such requirements at any time could retroactively affect the exclusion from gross income for federal income tax purposes of interest on the 2004 Series D Bonds. The Agency has covenanted to comply with the ongoing requirements of Section 148 of the Code, including requirements regarding, among other things, limitations on investment of the 2004 Series D Bond proceeds and rebate to the federal government, which covenants, if complied with, will satisfy Section 148 of the Code.

The 2004 Series D Bonds are issued as "qualified 501(c)(3) bonds" pursuant to Section 145 of the Code. As such, as a condition to exclusion from gross income of interest on the 2004 Series D Bonds for federal income tax purposes, it is required that the facilities financed with the proceeds of the 2004 Series D Bonds be owned by an organization that qualifies under Section 501(c)(3) of the Code, and that no portion of such facilities be used in the trade or business of a person or entity that is not a Section 501(c)(3) organization. The Agency and the owner of the facilities financed with proceeds of the 2004 Series D Bonds will covenant to comply with these requirements.

Although Bond Counsel will render an opinion that interest on the 2004 Series D Bonds will not be included in gross income for federal income tax purposes, the accrual or receipt of interest on the 2004 Series D Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the 2004 Series D Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing, holding or selling the 2004 Series D Bonds.

THE EXTENT OF THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE 2004 SERIES D BONDS WILL DEPEND UPON THE BONDHOLDER'S TAX STATUS OR OTHER

ITEMS OF INCOME OR DEDUCTION. PURCHASERS OF THE 2004 SERIES D BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE CONSEQUENCES OF PURCHASING OR HOLDING THE 2004 SERIES D BONDS.

Original Issue Premium and Discount. An amount equal to the excess of the issue price of any 2004 Series D Bond over its stated price at maturity (a “Premium Bond”) constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for Federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no Federal income tax deduction is allowed.

Any 2004 Series D Bonds originally offered at a price below the amount payable on such Bonds at maturity are known as Discount Bonds, the difference being hereinafter referred to as “Original Issue Discount.” An owner of a Discount Bond shall accrue Original Issue Discount by using the economic accrual method, and such accruals shall be treated as (i) tax-exempt interest received by the owners of such Discount Bonds, and (ii) added to the owner’s tax basis for purposes of determining gain or loss upon a sale of a Discount Bond. The amount representing Original Issue Discount that is treated as being received by an owner of a Discount Bond will be added to the owner’s tax basis for purposes of determining gain or loss upon a sale of a Discount Bond.

Purchasers of Premium Bonds and Discount Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium and discount for Federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond or a Discount Bond.

General

From time to time, there are legislative proposals in the Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the 2004 Series D Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. Purchasers of the 2004 Series D Bonds should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the 2004 Series D Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation.

Vermont Taxes

The Act provides that bonds and notes of the Agency, including the 2004 Series D Bonds, and the interest thereon, are at all times free from all Vermont taxation, franchise fees or special assessments except for transfer, inheritance and estate taxes. The 2004 Series D Bonds and the income therefrom may be subject to taxation under the laws of the states other than the State of Vermont

MISCELLANEOUS

The references herein to the Act, the Resolutions and the Section 8 program are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the Act, the Resolutions and the Section 8 program and all regulations and rulings thereunder for full and complete statements of such provisions. The agreements of the Agency with the holders of the 2004 Series D

Bonds are fully set forth in the Resolutions and this Private Placement Memorandum is not to be construed as a contract with the purchasers of the 2004 Series D Bonds. So far as any statements are made in this Private Placement Memorandum involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the Act and the Resolutions are on file at the office of the Agency. The address of the Agency is 164 Saint Paul Street, Burlington, Vermont 05401 and its telephone number is (802) 864-5743.

The execution and delivery of this Private Placement Memorandum by its Executive Director have been duly authorized by the Agency.

VERMONT HOUSING FINANCE AGENCY

By /s/Sarah E. Carpenter
Executive Director

APPENDIX I

**AUDITED FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2003
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

APPENDIX II

**CERTAIN INFORMATION REGARDING THE DEVELOPMENTS AND OUTSTANDING MORTGAGE
LOANS PREVIOUSLY FINANCED***

Property Name (1)	Total Units Type (2)	Total Income 2003 (3)	HAP Payments 2003	HAP Final Exp Date (4)	Total Annual Expenses 2003 (5)	Original Mtg Loan (6)	Remaining Balance 12/31/2003 (7)	Loan Interest Rate	Maturity Date (8)
1306 ETHAN ALLEN/E SPRING STREET (11)	42F	\$260,251	NA	NA	\$256,325	\$85,000	\$79,315	7.22%	03/10/2018
21 MAIN STREET	11E	\$98,256	\$78,592	03/01/2009	\$90,500	\$64,000	\$61,034	7.00	03/10/2009
						\$291,435	\$105,451	7.45	03/10/2009
						\$12,331	\$5,339	10.00	03/10/2009
700 RIVERSIDE	8F	\$76,057	\$56,563	06/30/2006	\$66,922	\$360,000	\$283,147	7.30	12/10/2017
ALBURG FAMILY HOUSING	13F	\$114,542	\$85,488	07/24/2020	\$113,384	\$487,000	\$381,928	8.63	01/10/2020
ALLEN CANAL (11)	17F	\$168,215	\$111,240	02/02/2011	\$165,226	\$515,000	\$450,228	6.86	05/10/2019
BAILEY, BALDWIN, BARRE (11)	15F	\$83,298	NA	NA	\$81,648	\$85,000	\$72,424	7.22	08/10/2018
BARRE STREET	22F	\$131,970	NA	NA	\$127,732	\$193,000	\$166,021	7.22	07/10/2016
BEN-SOUTH (11)	21F	\$126,149	NA	NA	\$126,149	\$350,000	\$344,199	6.87	06/10/2032
BRHIP (11)	33F	\$274,141	NA	NA	\$259,680	\$487,176	\$420,058	7.22	08/10/2016
BRIARS	24F	\$173,171	NA	NA	\$167,635	\$681,000	\$646,448	7.00	07/10/2029
BROOKSIDE APARTMENTS	6F	\$59,783	\$43,860	05/01/2010	\$59,392	\$213,102	\$106,764	9.50	10/10/2010
BROOKSIDE MHP	48F	\$139,980	NA	NA	\$138,897	\$817,000	\$793,245	7.30	02/10/2031
CHERRY, SUMMER & GEORGE STREET	10F	\$54,159	NA	NA	\$52,970	\$120,000	\$98,534	7.22	03/10/2021
COLONIAL APARTMENTS	14E	\$136,204	\$94,212	12/15/2010	\$135,825	\$384,239	\$207,405	9.50	06/10/2011
						\$11,197	\$5,960	9.50	05/10/2011
COLONIAL VILLAGE	14E, 7F	\$187,310	\$132,012	02/12/2010	\$176,261	\$371,450	\$159,749	8.25	01/10/2010
						\$14,800	\$110,362	8.25	03/10/2010
						\$251,341	\$6,571	8.25	04/10/2010
CONANT SQUARE INN	19E	\$147,410	\$97,428	12/17/2009	\$134,776	\$539,262	\$380,431	8.25	07/10/2010
CUMMINGS STREET APARTMENTS (9) (11)	20F	\$181,751	\$142,440	5/29/2008	\$163,534	\$635,900	\$446,232	7.50	09/10/2018
DARLING INN	27E	\$269,744	\$172,200	12/12/2010	\$269,744	\$873,100	\$452,941	9.50	01/10/2011
DEPOT II (11)	4E, 6F	\$102,808	\$72,421	04/08/2010	\$102,592	\$93,000	\$52,015	8.20	05/10/2010
						\$329,614	\$151,480	8.50	05/10/2010
DEPOT SQUARE APTS	47F	\$309,743	\$224,700	12/31/2008	\$298,743	\$1,400,000	\$1,245,034	8.50	03/10/2019
DEPOT STREET	7F	\$46,199	\$34,224	11/30/2006	\$46,095	\$162,000	\$142,289	7.22	02/10/2023
DOGWOOD GLEN II	12E, 8F	\$154,012	\$104,530	06/03/2009	\$150,133	\$461,850	\$185,788	8.25	07/10/2009
DUGGAN ROW HOUSE	16F	\$163,748	\$121,836	10/15/2010	\$150,557	\$970,000	\$970,000	6.50	12/10/2033
EAGLE CREST (11)	60E	\$559,226	NA	NA	\$541,151	\$3,200,000	\$3,077,792	7.10	05/10/2030
ENO APARTMENTS	6F	\$59,551	\$28,632	06/12/2010	\$45,755	\$158,813	\$78,914	9.50	08/10/2010

FALCON MANOR (11)	61E	\$619,819	NA	NA	\$577,183	\$4,126,000	\$4,104,160	6.87%	12/10/2042
FRENCH HILL MHP	9F	\$28,013	NA	NA	\$27,472	\$111,000	\$103,477	7.25	03/10/2021
GARDENS AT WILLIAMSTOWN SQUARE (11)	30E	\$524,952	NA	NA	\$510,745	\$1,950,000	\$1,926,288	7.35	01/10/2039
GRAYSTONE VILLAGE (11)	34E	\$308,317	\$204,228	09/20/2019	\$298,756	\$472,000	\$384,679	8.25	01/10/2019
						\$1,017,250	\$762,740	8.00	12/10/2019
HARRINGTON APARTMENTS	5F	\$46,258	\$24,948	05/31/2011	\$39,627	\$159,950	\$88,288	9.50	09/10/2011
HIDDEN PINES	8E	\$55,173		11/30/2006	\$54,581	\$262,000	\$212,063	8.20	11/10/2018
HIGHGATE APARTMENTS (11)	120F	\$886,365	\$731,688	01/01/2010	\$866,023	\$1,367,536	\$1,050,137	8.50	08/01/2011
HILLSIDE ACRES	12F	\$140,079	\$102,647	01/23/2010	\$140,078	\$481,661	\$212,723	8.50	02/10/2010
						\$9,000	\$4,024	8.50	03/10/2010
HILLSIDE MHP		\$72,772	NA	NA	\$70,955	\$285,000	\$268,875	6.90	09/10/2021
JEFFERSONVILLE BOND (11)	22E	\$127,335	NA	NA	\$116,549	\$127,000	\$124,422	6.95	01/10/2032
JERI-HILL APARTMENTS (11)	24E	\$279,179	\$198,324	10/10/2011	\$278,903	\$430,263	\$342,913	7.45	01/10/2012
JOHNSON STREET	5F	\$52,197	NA	NA	\$46,192	\$146,000	\$130,251	8.20	08/10/2024
LAKE CHAMPLAIN APARTMENTS	27F	\$270,299	\$199,044	07/30/2012	\$266,006	\$643,158	\$624,896	7.25	03/10/2031
LAMOILLE VIEW APARTMENTS	25E	\$242,048	\$153,240	10/01/2009	\$177,550	\$669,141	\$287,779	8.25	02/10/2010
LIME KILN ALLOCATED (11)	24F	\$197,080	\$55,200	6/1/2012	\$190,568	\$635,063	\$628,161	8.50	07/10/2032
						\$75,000	\$67,857	8.50	07/10/2012
LIME KILN BOND (11)	24F	\$191,352	\$54,900	6/1/2012	\$188,260	\$75,000	\$67,753	6.95	07/10/2012
						\$712,000	\$702,210	6.95	07/10/2032
LINDEN TERRACE	21E	\$200,792	\$116,520	05/15/2018	\$200,084	\$535,729	\$381,855	7.70	10/01/2018
						\$300,000	\$242,431	8.25	10/10/2018
MAPLES PHASE II (11)	32F	\$256,003	NA	NA	\$241,202	\$1,775,000	\$1,768,901	6.24	4/10/2043
MAPLE ST/GE	37F	\$318,142	\$251,608	02/12/2010	\$310,318	\$938,486	\$750,896	7.30	06/10/2011
MAPLE ST/HARDWICK	16E	\$137,409	\$109,408	02/13/2010	\$135,124	\$421,132	\$187,902	8.50	03/10/2010
MAPLE ST/KSNRC	11F	\$95,418	\$76,944	03/31/2011	\$81,661	\$325,992	\$167,712	9.50	12/10/2010
MAPLE TREE PLACE (11)	50F	\$457,756	\$257,052	6/1/2012	\$437,903	\$228,000	\$207,350	6.95	09/10/2012
						\$1,431,000	\$1,412,414	6.95	09/10/2032
MCAULEY SQUARE ALLOCATED (11)	6F	\$50,316	\$23,256	12/28/2011	\$55,119	\$110,000	\$108,185	8.50	11/10/2031
MCAULEY SQUARE BOND (11)	55E, 12F	\$573,556	\$173,256	3/19/2012	\$564,036	\$2,850,000	\$2,825,951	7.38	01/10/2032
MELLISHWOOD HOUSES	26E	\$223,826	\$149,544	11/04/2017	\$191,872	\$245,861	\$172,679	7.90	02/01/2018
						\$471,119	\$367,900	8.50	07/10/2020
MOUNTAIN VIEW (11)	72F	\$351,128	\$81,103	03/30/2004	\$345,290	\$848,643	\$713,400	7.00	01/01/2014
NORTHWOODS 1 (11) (12)	18F	\$161,552	\$111,470	5/31/2005	\$151,798	\$550,000	\$550,000	6.64	3/10/2043
ODELL PLACE ALLOCATED (11)	80F	\$0	\$130,872	11/1/2012	\$0	\$2,250,000	\$2,244,841	8.50	03/10/2043
						\$307,000	\$292,254	8.50	03/10/2013
ODELL PLACE BOND (11)	80F	\$607,196	\$121,572	04/01/20013	\$573,435	\$300,000	\$289,375	6.87	06/10/2013
						\$2,365,000	\$2,359,312	6.87	6/10/2043
OLDE WINDSOR VILLAGE (11)	67E, 10F	\$704,658	\$444,120	09/19/2018	\$677,503	\$2,272,855	\$1,645,778	7.90	12/10/2018

						\$780,000	\$640,589	8.25%	12/10/2018
PETERSON PLACE	13F	\$119,858	\$92,243	06/03/2010	\$114,257	\$500,000	\$500,000	6.50	12/10/2033
PINECREST	6F	\$41,818	\$6,860	11/30/2006	\$41,581	\$159,470	\$125,259	8.20	01/10/2018
RANDOLPH HOUSE (11)	48E	\$457,416	\$331,332	09/15/2018	\$452,525	\$1,571,313	\$1,120,015	7.70	10/01/2018
						\$624,326	\$485,116	8.50	07/10/2017
ROARING BROOK HOUSING	14F	\$141,542	\$85,372	02/11/2010	\$141,524	\$493,229	\$224,494	8.50	05/10/2010
						\$9,158	\$4,284	8.50	05/10/2010
ROCKINGHAM CANAL HOUSE	41E	\$445,116	\$342,000	08/24/2012	\$440,147	\$1,891,191	\$852,784	7.75	01/10/2010
SALMON RUN (10) (11)	80F	\$607,724	NA	NA	\$605,918	\$2,528,759	\$2,152,493	9.50	02/10/2020
SAXTONS RIVER (11)	17F	\$187,804	\$109,092	10/04/2010	\$205,407	\$541,000	\$413,995	7.45	01/10/2012
SCHOOL STREET APARTMENTS	8E, 5F	\$126,873	\$85,670	11/14/2010	\$121,168	\$352,851	\$276,498	9.50	01/10/2012
						\$127,149	\$96,817	8.50	01/10/2012
SMITH HOUSING (11)	17F	\$112,036	\$59,872	6/30/2012	\$105,817	\$259,380	\$256,453	6.87	12/10/2032
SOUTH MEADOW (10) (11)	148F	\$1,424,135	NA	NA	\$1,197,276	\$4,187,990	\$101,953	6.86	02/10/2018
						\$290,000	\$130,434	7.30	03/10/2009
						\$135,000	\$230,694	8.50	08/10/2010
						\$155,000	\$3,587,941	7.45	10/10/2011
ST PAUL/RANDALL APTS	11F	\$96,561	\$76,096	05/31/2011	\$88,243	\$339,950	\$190,367	9.50	11/10/2011
						\$12,866	\$7,321	9.50	11/10/2011
VICTORIA PLACE APARTMENTS (11)	34F	\$393,697	\$202,464	9/1/2013	\$353,763	\$1,300,000	\$1,298,034	8.50	07/10/2043
VILLAGE APARTMENTS (11)	16E	\$135,538	\$93,466	07/06/2009	\$135,352	\$360,500	\$146,711	8.25	08/10/2009
WALDEN MOUNTAIN	9E, 9F	\$181,446	\$135,648	11/17/2010	\$176,781	\$612,948	\$318,194	9.50	02/10/2012
WELDEN VILLA	40E	\$230,544	\$134,800	12/31/2006	\$230,353	\$691,514	\$625,463	7.30	02/10/2012
WELLS HOUSE APARTMENTS	12E	\$111,124	\$80,400	05/16/2010	\$101,312	\$340,845	\$167,849	9.50	06/10/2010
WESTGATE ALLOCATED (11)	74F	\$566,558	\$155,344	5/31/2004	\$504,552	\$255,000	\$249,801	8.25	07/10/2031
						\$460,000	\$391,814	7.75	10/10/2012
WESTGATE BOND (11)	24F	\$175,775	\$48,168	5/31/2004	\$169,677	\$70,000	\$68,244	6.95	07/10/2031
						\$150,000	\$127,702	6.95	10/10/2012
WHITCOMB WOODS (11)	64E	\$528,301	\$378,361	9/26/2009	\$503,571	\$1,698,000	\$1,684,255	6.64	03/10/2033
WINCHESTER PLACE (11)	166F	\$1,488,282	\$0	NA	\$1,429,015	\$5,973,000	\$5,962,375	6.13	10/10/2033
						\$485,000	\$485,000	6.13	1/10/2034
Construction Loans Funded—Not placed in service:									
HAWK'S NEST (13)	66E	\$3,275,000	N/A	N/A	N/A	\$3,275,000	\$2,710,455	6.50	1/10/2035
Grand Total:		\$23,103,817	\$7,788,510			\$18,854,658	\$77,527,889	\$66,103,333	

* Appendix II does not include projects financed from the proceeds of the Agency's Multi-family Mortgage Bonds 2004 Series A, B and C which closed on June 24, 2004. Mortgage Loans funded by the 2004 A, B and C Bonds totaled \$13,353,159 and provided funding for eight multi-family projects in Vermont, not all of which have closed as of this offering.

- ¹ All except 15 of the Developments indicated are owned by limited partnerships organized for limited profit.
- ² E=Elderly Units; F=Family Units
- ³ Includes Housing Assistance Payments Contract ("HAPC") Payments and is based on the 2003 income figures. As of the date of this Private Placement Memorandum, the occupancy rates on all of the occupied Developments average 99%.
- ⁴ Assumes all permitted renewals. Renewals of the HAPCs are subject to certain conditions. Voucher designations are expected to be converted to project-based contracts with 10 year terms. TB Certs = Tenant-based Certificates or Vouchers.
- ⁵ Includes 2003 Mortgage Loan debt service, administrative expenses, management fee, utilities, ordinary maintenance, real estate taxes, and reserve for replacements. All of the Mortgage Loans provide for principal and interest on a level debt service basis.
- ⁶ The Agency loaned additional amounts which are secured by the listed related Mortgage Loans with respect to certain of the Developments, from its General Fund. Certain other of the Developments are secured by additional financing that is subordinate to the related Mortgage Loan.
- ⁷ All of the Mortgage Loans related to the Developments are current in payment and there are no delinquencies or foreclosures.
- ⁸ The majority of the Mortgage Loans related to the Developments have original terms to maturity of 30 years.
- ⁹ FHA Insured Mortgage.
- ¹⁰ Mortgage Loan made pursuant to the Housing Development Action Grant Program ("HODAG").
- ¹¹ Development involving low income housing tax credits.
- ¹² This property is under rehab/construction and making interest only payments and will convert to a fully amortizing loan on April 10, 2004.
- ¹³ On June 8, 2004, the project was destroyed by fire. The expected insurance proceeds are in excess of the amount of the Mortgage Loan advanced to date. It has not been determined if the project will be rebuilt or there will be a pro rata redemption of the 2003 Series C Bonds which financed the Mortgage Loan for the project.

APPENDIX III

PROJECT FINANCED BY THE 2004 SERIES D BONDS

CATHEDRAL SQUARE SENIOR LIVING BURLINGTON, VERMONT

General

Cathedral Square Senior Living (“CSSL”) consists of one 10-story building totaling 108 residential units for seniors in Burlington, Vermont. The building was constructed in 1979 with funding from the HUD Section 202 program. Its owner, Cathedral Square Corporation (“CSC”) is a 501(c)(3) nonprofit organization and will use the proceeds of the Agency’s Mortgage Loan to refinance a \$2,192,000 outstanding HUD 202 loan and to fund certain rehabilitation costs of the facility. In July 2003 CSC became the first licensed provider of assisted living in Vermont. Twenty-one units in the building were converted, and seven market units constructed as an addition, for a total of 28 units of assisted living. The remaining 80 units are independent living units. The appraised value of the building is \$3,135,000.

Income and Expenses

CSSL’s projected annual gross rents are \$1,056,720, plus \$769,443 in other income, for a total of \$1,826,163 in annual income. The property’s projected annual expenses, including debt service, are \$1,660,234, plus replacement reserves of \$32,400, for a total of \$1,692,634. There is a Housing Assistance Payment (“HAP”) Contract in place and a HUD Declaration of Covenants which pertains to 100 of the 108 units (seven are market units and one is a manager’s unit). It states that the Section 8 assistance will continue, subject to appropriations, until 2039.

Mortgage Loan

The Agency’s Mortgage Loan to CSC will be in the approximate principal amount of \$2,632,000. This Mortgage Loan will be amortized over 35 years with a 35-year term. The loan-to-value of the Mortgage Loan financing is approximately 84%.

Owner and Manager

CSC is a statewide 501(c)(3) nonprofit organization, created in 1977 by the Cathedral Church of St. Paul. CSC developed Cathedral Square Senior Living in 1979 and has continued owning and operating the facility. CSC both develops and manages rental housing for seniors and individuals and families with special needs (approximately 850 units currently) in Vermont.

APPENDIX IV

SUMMARY OF SECTION 8 PROGRAM

Introduction

The United States Department of Housing and Urban Development (“HUD”), created by the Housing and Urban Development Act of 1965, is responsible for the administration of various federal programs authorized under the United States Housing Act of 1937, as amended (the “Housing Act”).

The following summary of the Section 8 Housing Assistance Payments Program (the “Section 8 program”) is not comprehensive or definitive and is qualified in its entirety by reference to the statutes, regulations and agreements referred to herein.

Section 8 Housing Assistance Payments Program

Section 8 of the Housing Act, as amended by the Housing and Community Development Act of 1974, established a federal housing assistance program of federal assistance for multifamily housing developments of the type that the Agency finances under its Program (each, a “Section 8 Development”). The Section 8 program involves the distribution of housing assistance payments to the owners of housing developments assisted under such program. The Section 8 program is administered on the federal level by HUD. The housing assistance payments program for each Section 8 Development is administered at the state level by the Vermont State Housing Authority, the Agency or both (collectively, the “Contract Administrator”).

Pursuant to regulations issued by HUD under the Section 8 program during the period 1975-1984, HUD granted “set-asides” for state housing agencies (i.e., reservations of annual housing assistance payments under the Section 8 program) which an agency, with HUD approval, can allocate to developments according to its own housing program. As provided in the regulations, HUD reserved a portion of such set-asides for the State of Vermont to be used in connection with the new construction or substantial rehabilitation of housing.

Eligible tenants for rental units assisted under the Section 8 program, as implemented by the Contract Administrator, are families with family income not in excess of 50% of the median income for the area in which the development is located, as determined by HUD and adjusted for family size. HUD regulations define the term “family” to include elderly, disabled, handicapped or displaced single persons and, under certain limited conditions, other single persons. In the State of Vermont, 50% of median income ranges from a low of \$19,500 per year for one person to a high of \$48,950 for a family of eight persons.

Section 8 housing assistance payments are provided, in the case of developments that are permanently financed by the Agency and that utilize a portion of the Contract Administrator’s annual set-asides of Section 8 contract authority, through an Annual Contributions Contract (“ACC”) between HUD and the Contract Administrator and a Housing Assistance Payment Contract (“HAPC”) between the Contract Administrator and the owner of the assisted development. Pursuant to the ACC, the Contract Administrator will receive an annual contribution from HUD, payable monthly in advance, with respect to each assisted dwelling unit and will, in turn, disburse monthly housing assistance payments to the owner of the development under the HAPC.

The amount of the subsidy payable to the Contract Administrator for the account of the owner under the HAPC is the applicable contract rent less the payment, if any, required to be made to the owner by the tenant as determined by HUD. The tenant payment is generally equal to 30% of family income. Present federal law directs HUD to mandate a minimum rent of between \$25 and \$50 for all tenants, and a minimum rent of up to \$50 for project-based Section 8 programs, such as the Section 8 Developments. HUD has implemented a \$25 minimum rent for most families (HUD Notice H 96-89). Thus, the total rental income from Section 8 housing units payable to or for the account of the owner is equal to the contract rent, part being paid by the tenants directly to the owner and the remainder being paid by HUD through the Contract Administrator to the owner in the form of HAPC Payments. The proportion of the contract rent actually paid by HUD and that actually paid by tenants will vary depending upon tenant income.

If a vacancy exists, other than as a result of action by the owner which is in violation of the lease, the owner will be entitled to housing assistance payments equal to 80% of the contract rent for a vacancy period not exceeding 60 days, so long as the owner diligently endeavors to fill the vacancy with an eligible tenant. Such payments for vacancies will be reduced to the extent the owner receives payment from the tenant for such vacancy period or the owner is otherwise entitled to payments from any other source, including a security deposit, for the vacant unit. In addition, if a unit continues to be vacant after this 60-day period, the owner may receive additional payments of up to one year for each vacancy equal to the principal and interest payments required to amortize the debt attributable to that unit, provided that (a) the unit is in decent, safe and sanitary condition during the vacancy period, (b) the owner has taken and continues to take all feasible actions to fill the vacancy, (c) the development is not providing the owner with revenues equal to costs incurred and the amount of the payments do not exceed the deficiency and (d) the owner submits a statement with supporting evidence satisfactory to HUD (or the Contract Administrator) that the development can achieve financial soundness within a reasonable time. HUD (or the Contract Administrator) may deny any claim for additional payments if it determines that, based on the owner's statement and other evidence, there is not a reasonable prospect that the development can achieve financial soundness within a reasonable time. Housing assistance payments are not payable with respect to units that are occupied by tenants who are not eligible for Section 8 assistance. However, if the dwelling unit is subsequently reoccupied by an eligible tenant, housing assistance payments will again become available to the owner unless the HAPC has been modified in the interim by deleting that dwelling unit from its coverage.

The Contract Administrator is permitted, but not required, to delete from the HAPC any units that the owner fails, for substantial periods of time, to lease or make available for lease by eligible tenants. The Agency's mortgage loan documents prohibit the owner from leasing more than 20% of the dwelling units to ineligible tenants without prior approval from the Agency.

HUD's Section 8 regulations and the ACCs provide that the initial contract rents for the assisted dwelling units in each development may be adjusted annually pursuant to a HUD-established automatic annual adjustment factor. Under the Housing Act, the annual adjustment factor is applied on the anniversary date of each HAPC, resulting in upward or downward adjustment, except that contract rents may not be reduced below the contract rents in effect on or after April 15, 1987, for newly constructed or substantially rehabilitated projects, unless the project has been refinanced in a manner that reduces the periodic payment of the owner. However, pursuant to several appropriations acts by Congress applicable to the 1995 and subsequent federal fiscal years and made permanent by legislation in 1997, contract rents may not be increased beyond HUD Fair Market Rents (as described below) plus the differential between the initial contract rent and comparable rents at the time of execution of the HAPC (the "Initial Difference"), unless the owner submits evidence of higher comparable market rents as determined by independent appraisals of at least three comparable local developments. Special additional adjustments may be approved by HUD to reflect actual and necessary expenses of owning and maintaining the

development that have resulted from substantial general increases in real property taxes, utility rates or similar costs (i.e., assessments and utilities not covered by regulated rates), but only to the extent that such general increases are not compensated for by the automatic annual adjustment. Adjustments, however, are limited to 120% of the HUD Fair Market Rents plus the Initial Difference. Present HUD policy also provides that the annual adjustment factors for Section 8 units which experienced no turnover in tenants since the preceding HAPC anniversary date will be one percentage point less than the annual adjustment factors that would otherwise apply. Consequently, there can be no assurance that increases in contract rents, if any, will result in revenues sufficient to compensate for increased operating expenses of the Section 8 Developments.

Each year, HUD publishes its determination of fair market rents (“HUD Fair Market Rents”). Such HUD Fair Market Rents constitute HUD’s determination of the rents, including utilities (except telephone), ranges and refrigerators, parking and all maintenance, management and other essential housing services, which would be required to obtain, in a particular market area, privately developed and owned rental housing of modest design with suitable amenities.

The following table sets forth the range of monthly rents for the Section 8 Developments effective on June 30, 2004 based on unit size and the current range of HUD Fair Market Rents in Vermont:

Range of Section 8 Development Monthly Rents and HUD Fair Market Rents

	One Bedroom	Two Bedrooms	Three Bedrooms
Section 8 Developments	\$438-\$1,022	\$482-\$1,049	\$541-\$1,367
HUD Fair Market Rents	\$430-\$687	\$531-\$850	\$669-\$1,159

There have been several court decisions with respect to the Section 8 program and the limitations on contract rent adjustments. The United States Supreme Court, in its 1993 decision, *Cisneros v. Alpine Ridge Group, et al.*, held that housing assistance payment contracts between private landlords and HUD did not prohibit the use of comparability studies with private market rents to impose an independent cap on formula-based rent adjustments. In a January 1997 decision, *National Leased Housing Association, et al., v. United States*, the United States Court of Appeals for the Federal Circuit upheld a decision of the Court of Claims that the “overall limitation” provision contained in the rent adjustment section in HAPCs (which states, in effect, that notwithstanding any other provision of the HAPC, adjustments provided for in that section of the HAPC shall not result in material differences between the rents charged for assisted and comparable unassisted units except to the extent that differences existed with respect to the contract rents set at contract execution or cost certification, as applicable) permits HUD to use comparability studies to decrease contract rents to eliminate material differences between rents charged for assisted and comparable unassisted units which are greater than the Initial Difference. In addition, the Court of Appeals affirmed the decision of the Court of Claims that HAPCs permit HUD to reduce rents below a previous year’s rent levels through the use of comparability studies, and that the Initial Difference is determined by the initial dollar amount and not by a percentage of the initial rents.

At this time, the Agency is unable to predict what actions, if any, HUD or the Congress will take in the future with respect to such rent adjustments. Actions by HUD in the future could have the effect of limiting upward adjustments in contract rents or of decreasing contract rents currently in effect to eliminate any material difference between the contract rents and rents charged for comparable unassisted units, except to the extent of the Initial Differences. Such actions, if taken, could adversely affect the

ability of the owners of the Developments to pay principal and interest on the Mortgage Loans, which in turn could adversely affect the ability of the Agency to make timely payments of interest and principal on the Bonds with amounts pledged under the Resolutions. Congress has passed legislation and HUD has implemented procedures to restrict contract rent increases above fair market rents for each fiscal year since 1995. Any of the actions mentioned above could adversely affect the ratings on, and the market price of, the Bonds, including the 2004 Series D Bonds.

The maximum total annual contribution that may be contracted for in an ACC will equal the initial gross rents for all assisted units in the development. If the amount of housing assistance payments actually disbursed under an ACC in any given year is less than the total available amount, the excess (initially an amount equal to the portion of the gross rents payable by the tenants) is available to be set aside by HUD in an account (the "project account") for the particular development and will be available for future years to fund increases in contract rents for the development or decreases in family incomes. If and when a project account falls below 40% of the maximum annual commitment, HUD undertakes in the ACC to provide additional funding, to the extent permitted by law, in order to increase the maximum annual contribution payable under the ACC.

Subsection (c)(6) of Section 8 provides:

The Secretary [of HUD] shall take steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

In practice, HUD has not been replenishing the project accounts when the amounts in such project accounts have fallen below 40% of the maximum annual commitment, but has sought and received amendment authority from the Congress to enable it to discharge its obligations under the HAPCs and the ACCs.

Although the Section 8 housing assistance payments are made directly or indirectly to the owner and, in effect, represent rental income, the HAPC may, with HUD's approval, be pledged by the owner to the Agency as mortgage lender on the development. All of the HAPCs covering the Agency's Section 8 Developments have been so pledged. However, the owner will retain the right to collect such payments so long as the owner is in compliance with the provisions of the HAPC and the Agency's Mortgage Loan documents. The Agency's rights to receive Section 8 subsidy payments with respect to the developments have been pledged and assigned to the Trustee as part of the security for the Bonds. Under federal laws, the United States government may have the right to set off liabilities of the Agency to the United States against the payments under ACCs. Housing assistance payments by HUD do not terminate if the mortgage on the development goes into default, so long as the owner has not breached any of its obligations under the HAPC, including, among other responsibilities, its obligation to maintain and operate the development so as to provide decent, safe and sanitary housing. In the event of breach by the owner, HUD may abate or terminate housing assistance payments after giving the owner and the Contract Administrator an opportunity to take corrective action.

Developments Relating to HUD

In 1998 HUD was authorized to initiate a permanent program to restructure FHA-insured mortgage loans with expiring HAPCs; the most recent federal appropriations act applicable to HUD

permits such mortgages financed by state housing agencies (like the Agency) to be restructured but only if the same is not contrary to the terms of the mortgage agreements.

At this time, the Agency cannot predict the terms of further legislation, if any, which may be enacted which may restructure and change HUD, its administration and its programs (including the Section 8 program) and the funding of HUD and its programs. The Agency cannot predict whether any such legislation, if enacted, would adversely affect the ability of the Agency to make timely payments of principal and interest on the Bonds, including the 2004 Series D Bonds, with amounts pledged under the General Resolution.

APPENDIX V

FORM OF BOND COUNSEL OPINION

Vermont Housing Finance Agency
Burlington, Vermont

Vermont Housing Finance Agency
Multi-Family Mortgage Bonds,
2004 Series D

We have acted as Bond Counsel in connection with the issuance by the Vermont Housing Finance Agency (the "Agency") of its Multi-Family Mortgage Bonds, 2004 Series D in the aggregate principal amount of \$2,810,000 (the "Bonds"). The Bonds are authorized to be issued pursuant to No. 260 of the Vermont Acts of 1973 (Adjourned Session), as amended (the "Act"), and under and pursuant to the Agency's Multi-Family Mortgage Bond Resolutions adopted on February 3, 1977, as amended (the "General Resolution") and the Agency's Series Resolution adopted on April 29, 2004 (together, the "Series Resolution"). The General Resolution and the Series Resolution are referred to herein, collectively, as the "Resolutions."

The Bonds are being issued to provide moneys to fund an additional Mortgage Loan to refinance a multi-family residential housing facility for seniors owned by a 501(c)(3) organization located in the State of Vermont (the "State").

The Bonds are dated, mature in the year, in the principal amount and bear interest at the rate per annum set forth in the Series Resolution. The Bonds are also subject to redemption prior to maturity upon the terms and conditions and at the redemption prices provided in the Resolutions.

In rendering this opinion, we have reviewed the Resolutions, along with certain other documents, certificates and other materials delivered in connection with the issuance of the Bonds. The Agency has covenanted in the Resolutions to do all things necessary to assure that interest on the Bonds is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder. Certain requirements must be met subsequent to the delivery of the Bonds in order that interest on the Bonds be tax-exempt. Certain covenants of the Agency and other parties, as well as affidavits and other procedures, are set forth in the documents relating to the issuance of the Bonds and the Agency's multifamily program to comply with the requirements of the Code. We have examined such documents and such covenants, affidavits and other procedures and are of the opinion that they are sufficient to enable the Agency to comply with the requirements of the Code.

Based on the foregoing, it is our opinion that:

1. The Agency is duly created and validly existing under the Act as a body politic and corporate of the State of Vermont and has the right and power under the Act to adopt the Resolutions and to authorize, issue and deliver the Bonds.
2. The Resolutions have been duly and lawfully adopted by the Agency, are in full force and effect and are valid and binding upon the Agency and enforceable in accordance with their terms, and no

other authorization for the Resolutions is required. The Resolutions create the valid pledge which they purport to create of the Mortgage Loans, and the documents evidencing such Mortgage Loans, and the rights of the Agency incident thereto and all Revenues, Prepayments, Recovery Payments, Acquired Development Operating Income (as defined in the Resolutions) and all moneys and securities in all funds and accounts (except the Rebate Fund) created by or pursuant to the Resolutions (except Escrow Payments and the Multi-Family Escrow Payment Account), subject only to the provisions of the Resolutions permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth in the Resolutions.

3. The Bonds have been duly authorized, executed, issued and delivered by the Agency in accordance with the Act and the Resolutions and constitute valid and binding general obligations of the Agency, which has no taxing power, enforceable in accordance with their terms and the terms of the Resolutions and entitled to the benefits of the Act and the Resolutions. The Bonds are payable out of any of the Agency's revenues, moneys or assets, subject only to agreements theretofore or thereafter made with holders of notes and bonds other than the Bonds pledging particular revenues, moneys or assets for the payment thereof. The Bonds do not constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision, but shall be payable solely from the revenues or assets of the Agency pledged to the payment thereof.

4. The Agency in the General Resolution has validly covenanted to do all acts and things necessary to receive and collect Revenues and to annually make and deliver to the Governor or the Governor-elect, the President of the Senate and the Speaker of the House of the State, in compliance with the provisions of the Act, the certificate stating the amount, if any, required to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. The State, by its General Assembly, is legally authorized, but not legally obligated, to appropriate annually such sum as shall have been so certified by the Chairman of the Agency as necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement.

5. Assuming continuing compliance with covenants by the Agency set forth in the Resolutions and other documentation related to the Bonds, all as described above, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not a specific tax preference item for purposes of calculating the alternative minimum tax imposed on individuals and corporations under the Code. However, interest on the Bonds is included in a corporation's "adjusted current earnings," and the alternative minimum taxable income of certain corporations must be increased by 75% of the excess of such corporation's "adjusted current earnings" over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). Except as expressed in the following two paragraphs, we express no opinion regarding any other federal income tax consequences arising with respect to the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

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

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

Very truly yours,