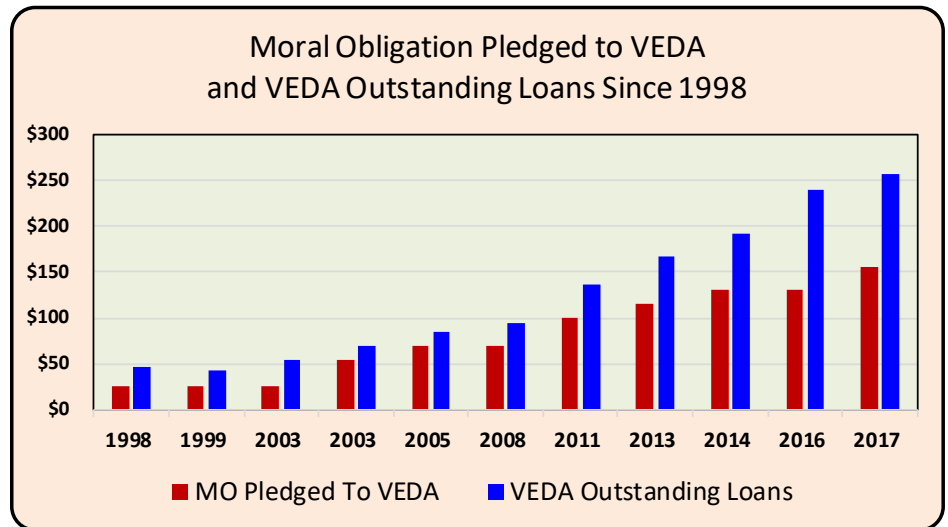




VEDA & State Moral Obligation Pledge

Background:

VEDA began using a “moral obligation pledge” (MO) as a part of its “Recapitalization” in 1998. The initial amount of MO pledged to VEDA was \$25 million and the current amount pledged is \$155 million. This increase equates to an annual rate of 10% per year over the twenty years VEDA has used MO. The chart to the right shows the relationship between the amount of MO pledged to VEDA and VEDA’s outstanding loan balances.

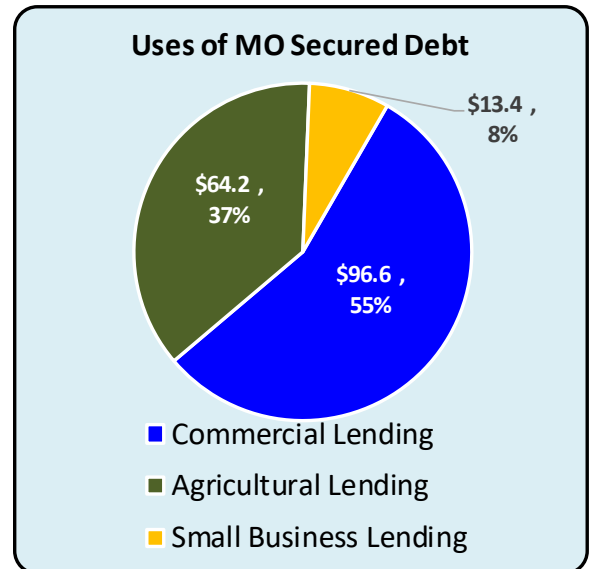


VEDA’s Use of MO:

VEDA uses the debt supported with the State’s MO pledge to fund a mix of commercial agricultural and small business lending.

MO Leverages Private Capital:

The debt currently supported with an MO Pledge funded projects totaling \$769.3 million, of which VEDA funded \$273.2 million, thereby leveraging \$496.1 million in private capital for a leverage ratio of 1.8 to 1. loans outstanding.



VEDA Projects Outstanding (\$\$ in millions)	
PROJECTS FUNDED WITH MO SECURED DEBT	\$769.3
VEDA PORTION OF PROJECTS	\$273.2
PRIVATE LEVERAGED CAPITAL	\$496.1
PRIVATE CAPITAL LEVERAGE RATIO	1.8 to 1

MO Maximizes Capacity:

Because of the strength of the State’s MO pledge, lenders are satisfied with a one-to-one match of loans to debt. This is significantly lower than the 1.20-to-one loans to debt when no MO pledge is used.

MO Secured Debt	MO Pledged	Loans Pledged	Loan Coverage
Commercial Paper Taxable	\$85.0	\$88.2	1.04 to 1
Commercial Paper Taxexempt	\$9.2	\$9.2	1.00 to 1
Bank Notes	\$80.0	\$81.9	1.02 to 1
Total MO Secured Debt	\$174.2	\$179.3	1.03 to 1
Non-MO (Loan) Secured Debt	\$54.1	\$64.72	1.20 to 1