

In the opinion of Bond Counsel, under existing law and assuming compliance by the Agency and the Borrower with their respective tax covenants described herein, interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation and is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds will be taken into account, however, as an adjustment used in computing certain corporations' alternative minimum taxable income for purposes of determining the federal alternative minimum tax on certain corporations. The Act provides that the Bonds and the income therefrom shall at all times be exempt from taxation in the State of Vermont except for transfer and estate taxes. See “Tax Exemption” herein.

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

\$11,300,000 VARIABLE RATE DEMAND REVENUE BONDS (THE BRATTLEBORO RETREAT PROJECT) 2011 SERIES A

Dated: Date of Delivery
CUSIP: 924166 DY4*

Due: December 1, 2031

The Bonds will be issued as fully registered Bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as Securities Depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book entry form only, in the initial denomination of \$5,000, or any whole multiple of \$5,000 in excess thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein. Principal and interest will be paid by People’s United Bank, as Bond Trustee (the “Bond Trustee”). So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursements of such payments to the beneficial owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

The Bonds are payable solely from the sources hereafter described and are issued pursuant to the Trust Agreement. Payment of the principal and Purchase Price (as defined herein) of and up to 35 days’ interest on the Bonds (at a maximum rate of interest not to exceed 10% per annum) is also secured by an irrevocable, transferable, direct-pay letter of credit (the “Credit Facility”) issued by



The Credit Facility will permit the Bond Trustee to draw an amount sufficient to pay the principal of and up to 35 days’ accrued interest on the Bonds (at a maximum rate of interest not to exceed 10% per annum) to be used (1) to pay the principal of and interest on the Bonds when due and (2) to pay the Purchase Price of the Bonds tendered by the holders thereof pursuant to the Trust Agreement. The Credit Facility will expire on November 30, 2016.

From and after the day of the initial authentication and delivery of the Bonds, the Bonds will bear interest at the Weekly Rate, as established by TD Securities (USA) LLC, as Remarketing Agent for the Bonds, until the interest rate is converted, if ever, to a Daily Rate, an Extended Rate or a Fixed Rate. Interest on the Bonds will initially be payable on the first Business Day of each month and shall be calculated based upon the actual number of days elapsed.

UPON A TENDER OF THE BONDS, OWNERS OF THE BONDS WHO FAIL TO DELIVER THEIR BONDS TO THE TENDER AGENT ON A TIMELY BASIS WILL BE DEEMED TO HAVE TENDERED SUCH BONDS FOR PURCHASE. THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION PRIOR TO MATURITY IN THE MANNER AND AT THE TIMES SET FORTH HEREIN.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND ARE PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY OR ON BEHALF OF THE BORROWER IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN AGREEMENT (AS DEFINED BELOW) AND THE TRUST AGREEMENT, THE CREDIT FACILITY AND FROM CERTAIN OTHER FUNDS, ALL AS MORE FULLY DESCRIBED HEREIN. THE AGENCY HAS NO TAXING POWER. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OF VERMONT IS PLEDGED TO THE PAYMENT OF THE BONDS

The Agency will enter into a loan agreement with the Borrower under which the Agency will agree to lend to the Borrower the proceeds of the Bonds, and in consideration of the loan, the Borrower will agree to make payments to the Bond Trustee (the “Loan Repayments”) in such amounts and at such times as are required to provide for timely payment of the principal or Purchase Price, premium, if any, and interest on the Bonds. The obligations of the Borrower under the Loan Agreement are evidenced by an obligation issued pursuant to a Master Trust Indenture, as described in more detail herein. Reference is made to this Official Statement for relevant security provisions of the Bonds.

Pursuant to the Trust Agreement, the Agency will assign certain of the Agency’s rights under the Loan Agreement, including all its rights, title and interest in and to the Loan Repayments (subject to the reservation of certain rights of the Agency, including its rights to notices, payment of certain expenses and indemnity) and will assign all of its rights, title and interest in and to any and all moneys and securities in the Bond Funds (as defined herein) to the Bond Trustee.

Investors are cautioned that the Bonds are being marketed and sold primarily on the basis of the credit of the Bank, as issuer of the Credit Facility, and not on the basis of the credit of the Borrower. Accordingly, in deciding whether to invest in the Bonds, potential investors should not rely upon the ability of the Borrower to make the required payments under the Loan Agreement in time and in amount sufficient to pay the principal of and purchase price, and interest on the Bonds.

PRICE 100%

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Agency by its counsel, Deppman & Foley, P.C., Middlebury, Vermont, for the Bank by its counsel, Murphy Sullivan Kronk, Burlington, Vermont, for the Borrower by its counsel, McKee, Giuliani & Cleveland, P.C., Montpelier, Vermont, and for the Underwriter, by its counsel, Burak Anderson & Melloni, PLC, Burlington, Vermont. It is expected that the Bonds will be available for delivery in definitive form to or for the account of DTC in New York, New York on or about December 1, 2011.



No dealer, broker, salesman or other person been authorized by the Vermont Educational and Health Buildings Financing Agency (the "Agency"), The Brattleboro Retreat (the "Borrower"), People's United Bank, TD Bank, N.A., or TD Securities (USA) LLC (the "Underwriter") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the Borrower and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed to be the representation of the Agency or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence and paragraph for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transactions contemplated herein, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE TRUST AGREEMENT AND THE MASTER TRUST INDENTURE (AS DEFINED HEREIN) HAVE NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of their relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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

IN MAKING ANY INVESTMENT DECISION, INVESTORS SHOULD RELY ON THE BANK AND THE CREDIT FACILITY AND SHOULD NOT RELY ON THE CREDIT OR ASSETS OF THE BORROWER. POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE BONDS UPON THE CREDIT OF THE PROVIDER OF THE CREDIT FACILITY SECURING THE BONDS, INITIALLY, TD BANK, N.A. THIS OFFICIAL STATEMENT SHOULD NOT BE RELIED UPON IN DETERMINING WHETHER TO PURCHASE BONDS THAT ARE NOT IN A WEEKLY RATE OR A DAILY RATE AND SECURED BY THE CREDIT FACILITY.

THIS OFFICIAL STATEMENT IS INTENDED TO PROVIDE DISCLOSURE ONLY WITH RESPECT TO THE BONDS WHILE BEARING INTEREST AT A WEEKLY RATE OR A DAILY RATE AND WHILE THE CREDIT FACILITY ISSUED BY TD BANK, N.A. DESCRIBED HEREIN IS IN EFFECT WITH RESPECT TO THE BONDS.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan”, “expect”, “anticipate”, “estimate”, “budget”, “forecast”, or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Borrower does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur.

* The CUSIP (Committee on Uniform Securities Identification Procedures) number on the cover page of this Official Statement has been assigned by an organization not affiliated with the Agency, the Borrower, the Underwriter, the Bank or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP number is included solely for the convenience of holders and no representation is made as to the correctness of the CUSIP number identified above. Any CUSIP number assigned to the Bonds may be changed during the term of the Bonds based on a number of factors including but not limited to the refunding or defeasance of such issue or the use of secondary market financial products. None of the Agency, the Corporation, the Underwriter, the Bank or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP number identified on the cover page of this Official Statement.

TABLE OF CONTENTS

	Page:
INTRODUCTION	1
THE AGENCY	4
DESCRIPTION OF THE BONDS	6
BOOK-ENTRY ONLY SYSTEM	14
SECURITY FOR THE BONDS	16
THE BANK AND THE CREDIT FACILITY	19
THE BORROWER	21
ESTIMATED SOURCES AND USES OF FUNDS	21
BONDHOLDERS' RISKS	22
TAX EXEMPTION	25
LEGALITY OF BONDS FOR INVESTMENT	27
STATE NOT LIABLE ON BONDS	27
COVENANT BY THE STATE	27
RATING	27
NO LITIGATION	28
APPROVAL OF LEGAL PROCEEDINGS	28
INDEPENDENT ACCOUNTANTS	28
FINANCIAL ADVISORS	28
UNDERWRITING	28
REMARKETING AGENT	29
CONTINUING DISCLOSURE	30
OTHER MATTERS	32
APPENDIX A - THE BRATTLEBORO RETREAT	A-1
APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE BORROWER FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009	B-1
APPENDIX C - CERTAIN INFORMATION CONCERNING THE BANK	C-1
APPENDIX D - DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE LOAN AGREEMENT AND THE TRUST AGREEMENT, AND A COPY OF THE MASTER TRUST INDENTURE	D-1
APPENDIX E - PROPOSED FORM OF LEGAL OPINION	E-1

OFFICIAL STATEMENT

Relating To

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

**\$11,300,000
VARIABLE RATE DEMAND
REVENUE BONDS
(THE BRATTLEBORO RETREAT PROJECT)
2011 SERIES A**

INTRODUCTION

This Official Statement, including the cover page and appendices, sets forth certain information in connection with the issuance and sale by the Vermont Educational and Health Buildings Financing Agency (the "Agency"), a public instrumentality of the State of Vermont (the "State"), of its Variable Rate Demand Revenue Bonds (The Brattleboro Retreat Project) 2011 Series A in the aggregate principal amount of \$11,300,000 (the "Bonds"). The Bonds are authorized to be issued pursuant to Title 16, Chapter 131, Sections 3851-3862 of the Vermont Statutes Annotated, as amended (the "Act").

The Bonds will be issued under a trust agreement, dated as of December 1, 2011 (the "Trust Agreement"), between the Agency and People's United Bank, as bond trustee (the "Bond Trustee"), and a resolution of the Agency adopted on November 8, 2011. The Bond Trustee is also the Bond Registrar for the Bonds. The Bonds will be dated their date of delivery, mature, subject to prior purchase or redemption, on December 1, 2031, and will initially bear interest at a Weekly Rate.

The Agency will enter into a loan agreement, dated as of December 1, 2011 (the "Loan Agreement"), with The Brattleboro Retreat (the "Borrower"), under which the Agency will agree to lend to the Borrower the proceeds of the Bonds and, in consideration of the loan, the Borrower will agree to make payments to the Bond Trustee (the "Loan Repayments") in such amounts and at such times as are required to provide for timely payment of the principal or purchase price of and premium, if any, and interest on the Bonds.

The Bonds are being issued for the purposes of (1) financing a portion of the refunding of all of the Agency's outstanding Variable Rate Demand Revenue Bonds (The Brattleboro Retreat Project) 2007 Series A (the "2007 Tax Exempt Bonds"); (2) financing a portion of the costs of the acquisition, construction, renovation, improving, furnishing and equipping of the Borrower's facilities, including renovations to Osgood Patient Building, Tyler Patient Building, Linden Lodge, Orchard Street Lodge, Main Center, Administration Building, West Building, East Building and Lawton Hall, including repair and replacement of roofs, HVAC system upgrades, plumbing, sprinklers, window replacement, flooring, tunnel system renovations and various other repairs to housing facilities, furniture for patient rooms and offices and the acquisition and implementation of an Electronic Medical Records system (collectively, the "2011 Project"); and (3) paying certain costs of issuance of the Bonds.

The Bonds are limited obligations of the Agency, payable solely from money to be received from the Borrower pursuant to the terms of the Loan Agreement and pursuant to Obligation No. 5, dated as of December 1, 2011 ("Obligation No. 5"), issued to the Agency under a Master Trust Indenture (the "Master Trust Indenture"), dated as of May 1, 2007, as supplemented, between the Borrower and People's United Bank (as successor to Chittenden Trust Company), as Master Trustee (the "Master Trustee"). The Borrower is currently the only Member of the Obligated Group established pursuant to the Master Trust Indenture (the "Obligated Group"), and Obligation No. 5 securing the Bonds will constitute a joint and several obligation of the Borrower and any future Members of the Obligated Group. Payments on Obligation No. 5 will be required to be sufficient to pay the principal or purchase price of and interest and any premium on the Bonds, as due and payable. To secure the payment of the

Bonds, the Agency will assign to the Bond Trustee all of its interest in Obligation No. 5 and, with certain exceptions, the Loan Agreement. Obligation No. 5 will be secured by a security interest in the Pledged Assets (as defined herein). The Master Trust Indenture permits any Person to become a member of the Obligated Group upon compliance with certain financial tests and other conditions. The Master Trust Indenture also permits, upon compliance with the terms thereof, any Member of the Obligated Group to withdraw from the Obligated Group. The Borrower has covenanted not to withdraw from the Obligated Group so long as Obligation No. 5 or Obligation No. 6 (as defined herein) is Outstanding.

In addition, the Borrower's payment obligations under the Reimbursement Agreement (as defined herein) with the Bank will be secured by Obligation No. 6, dated as of December 1, 2011 ("Obligation No. 6"). Obligation Nos. 5 and 6 will be secured pari passu under the Master Trust Indenture with any other Obligations (as defined herein) issued or to be issued under the Master Trust Indenture from time to time.

Pursuant to the Master Trust Indenture, the Borrower has previously executed and delivered (i) its Obligation No. 1, dated as of May 1, 2007 ("Obligation No. 1"), in the aggregate principal amount of \$2,800,000, of which \$2,315,000 was outstanding as of November 1, 2011, (ii) its Obligation No. 2, dated as of May 1, 2007 ("Obligation No. 2"), (iii) its Obligation No. 3, dated as of May 1, 2007 ("Obligation No. 3"), in the aggregate principal amount of \$4,835,000, of which \$4,835,000 was outstanding as of November 1, 2011 and (iv) its Obligation No. 4, dated as of May 1, 2007 ("Obligation No. 4"). Obligation No. 1 was issued in connection with the issuance by the Agency of its Variable Rate Demand Revenue Bonds (The Brattleboro Retreat Project) 2007 Series A (the "2007 Tax-Exempt Bonds"), Obligation No. 2 was issued to the Bank (as issuer of a credit facility relating to the 2007 Tax-Exempt Bonds), Obligation No. 3 was issued in connection with the issuance by the Borrower of its Variable Rate Demand Taxable Bonds, 2007 Series (the "2007 Taxable Bonds" and together with the 2007 Tax-Exempt Bonds, the "2007 Bonds") and Obligation No. 4 was issued to the Bank (as issuer of a credit facility relating to the 2007 Taxable Bonds). Upon issuance of the Bonds and application of the proceeds thereof, the 2007 Tax-Exempt Bonds will cease to be outstanding and Obligations No. 1 and 2 will be satisfied in full. On or about the date of delivery of the Bonds, the Borrower intends to issue a taxable note in the aggregate principal amount of \$4,880,000 (the "2011 Taxable Note") to TD Bank, N.A. The 2011 Taxable Note will be secured by the Borrower's Obligation No. 7, dated as of December 1, 2011, and the proceeds thereof will be used to refund Obligation No. 3. Upon the issuance of the 2011 Taxable Note and the application of the proceeds thereof, the 2007 Taxable Bonds will cease to be outstanding and Obligations No. 3 and 4 will be satisfied in full.

Pursuant to the Master Trust Indenture, as security for the payment of the principal of, and the redemption premium, if any, and interest on, Obligation Nos. 5 and 6, and any other Obligation issued and outstanding under the Master Trust Indenture, including Obligation No. 7 (collectively, the "Obligations"), the Borrower has granted a security interest in the Pledged Assets to the Master Trustee. The Borrower (and all future Members of the Obligated Group) has agreed in the Master Trust Indenture that it will not create or suffer to be created or exist any Lien (as defined in the Master Trust Indenture) other than Permitted Liens (as defined in the Master Trust Indenture) upon the Pledged Assets or on other Property now owned or subsequently acquired. In addition, the Borrower (and all future members of the Obligated Group) is subject to covenants under the Master Trust Indenture containing restrictions or limitations with respect to additional indebtedness, consolidation or merger and transfer of assets, among others.

Pursuant to the Second Amended and Restated Pledge Agreement, dated as of December 1, 2011, between the Borrower and the Bank (the "Pledge Agreement"), the Borrower has pledged an "Investment Account," as such term is defined in the Pledge Agreement, which shall serve as further security for the repayment of Obligation No. 7.

The assets that are pledged under the Master Trust Indenture to secure the Obligations consist of all Gross Receipts (as defined herein), now owned or hereafter acquired, of the members of the Obligated Group and all Machinery and Equipment (as defined herein) of the Borrower as of June 1, 2007, and all substitutions, replacements, products and proceeds thereof (the "Pledged Assets"). See "SECURITY FOR THE BONDS" herein.

For more information about the Borrower's obligations under the Master Trust Indenture and Obligation Nos. 5 and 6, including a description of the conditions under which additional Obligations may be issued and other Indebtedness may be incurred, conditions under which other organizations may join or withdraw from the Obligated

Group and conditions under which members of the Obligated Group may acquire or dispose of property and merge with or acquire other organizations, see Appendix D hereto.

Assignment by Agency of Loan Repayments

Pursuant to the Trust Agreement, the Agency will, for the benefit of the owners of the Bonds, assign certain of the Agency's rights under the Loan Agreement, including all its rights, title and interest in and to the Loan Repayments (subject to the reservation of certain rights of the Agency, including its rights to notices, payment of certain expenses and indemnity), and will assign all of its rights, title and interest in and to Obligation No. 5, and to any and all moneys and securities in the Bond Funds established for the Bonds, to the Bond Trustee.

Letter of Credit

Payment of the principal or Purchase Price of the Bonds and up to 35 days' interest accrued thereon (at a maximum rate of interest not to exceed 10% per annum) will be supported by an irrevocable, transferable, direct-pay letter of credit (the "Credit Facility") issued by TD Bank, N.A. (the "Bank"), or by a Substitute Credit Facility or an Alternate Credit Facility as provided under the Trust Agreement. See "SECURITY FOR THE BONDS – Alternate Credit Supports" herein. The initial Credit Facility for the Bonds will expire on November 30, 2016. The Bank is issuing the Credit Facility pursuant to a Reimbursement Agreement between the Borrower and the Bank (the "Reimbursement Agreement"), dated as of December 1, 2011. After the expiration of the Credit Facility, the payment of the principal or Purchase Price of the Bonds and not less than 35 days' interest thereon may be supported by the Credit Facility, as the term thereof may have been extended, or by a Substitute Credit Facility or an Alternate Credit Facility or may not be supported by any Credit Facility.

Miscellaneous

Summaries of certain provisions of the Trust Agreement and the Loan Agreement and a copy of the Master Trust Indenture are included as Appendix D to this Official Statement.

The purchase of the Bonds involves a degree of risk. Prospective purchasers should carefully consider the material under the caption "BONDHOLDERS' RISKS" herein.

The Bonds will be sold and delivered by the Agency to the Underwriter, pursuant to a Bond Purchase Agreement by and among the Agency, the Borrower and the Underwriter. See "UNDERWRITING" herein.

Investors are cautioned that the Bonds are being marketed and sold primarily on the basis of the credit of the Bank, as issuer of the Credit Facility, and not on the basis of the credit of the Borrower. Accordingly, in deciding whether to invest in the Bonds, potential investors should not rely upon the ability of the Borrower to make the required payments under the Loan Agreement in time and in amount sufficient to pay the principal or purchase price of, and interest on the Bonds.

The following summaries are not comprehensive or definitive. All descriptions of the Act, the Bonds, the Trust Agreement, the Loan Agreement, the Credit Facility, the Reimbursement Agreement, the Master Trust Indenture and the Obligations are brief summaries of certain provisions thereof and are qualified in their entirety by the definitive forms of such statute and documents. Copies of the documents are available for inspection at the principal corporate office of the Bond Trustee, People's United Bank, Two Burlington Square, Burlington, Vermont 05401.

Capitalized terms used in this Official Statement have the meanings specified herein and in Appendix D hereto. Terms not otherwise defined in this Official Statement have the meanings provided in the specific documents.

THE AGENCY

The Agency was created as a body corporate and politic constituting a public instrumentality of the State for the purpose of exercising the powers conferred on it by virtue of the Act. The purpose of the Agency is essentially to assist eligible health care and educational facilities in the acquisition, construction, financing and refinancing of their related projects.

Agency Membership and Organization

Under the Act, the Board of the Agency consists of the Commissioner of Education of the State, the State Treasurer, the Secretary of Human Services, and the Secretary of Administration of the State, all *ex officio*, seven members appointed by the Governor of the State, with the advice and consent of the Senate, for terms of six years, and two members appointed by the seven members for terms of two years. The members of the Board annually elect a Chair, Vice-Chair, Treasurer and Secretary. The day-to-day administration of the Agency is handled by the Executive Director of the Agency.

The present officers and members of the Agency and their places of business or residence are as follows:

Officers and Members

James E. Potvin, Chair
Certified Public Accountant
Stevens, Wilcox, Baker, Potvin,
Cassidy & Jakubowski
Rutland, Vermont

Dawn D. Bugbee, Vice Chair
Chief Financial Officer
Green Mountain Power Corporation
Colchester, Vermont

Edward T. Ogorzalek, Treasurer
Chief Financial Officer
Rutland Regional Medical Center
Rutland, Vermont

Stephen Gurin, Secretary
Regional Vice President
Community National Bank
Montpelier, Vermont

Ex Officio Members

Beth Pearce
State Treasurer
Montpelier, Vermont

Jeb Spaulding
Secretary of Administration
Montpelier, Vermont

Armando Vilaseca
Commissioner of Education
Montpelier, Vermont

Douglas A. Racine
Secretary of Human Services Agency
Waterbury, Vermont

Other Members

Kenneth Gibbons
President
Union Bank
Morrisville, Vermont

Kenneth Linsley
President
Green Mountain Transformer Consultants, LLC
Danville, Vermont

Sandy Predom
Vice President
The Merchants Bank
Rutland, Vermont

Neal E. Robinson
Vice President for Finance
St. Michael's College
Colchester, Vermont

Stuart W. Wepler
Business and Financial Consultant
Morrisville, Vermont

Executive Director

Robert Giroux
Executive Director
Vermont Educational and Health
Buildings Financing Agency
Winooski, Vermont

Deppman & Foley, P.C., Middlebury, Vermont, is general counsel to the Agency.

Sidley Austin LLP, New York, New York, is Bond Counsel and will submit its approving opinion with regard to the legality of the Bonds.

Public Financial Management, Inc., Boston, Massachusetts, is the financial advisor to the Agency.

Financing Programs of the Agency

The Agency was created under the Act as a body corporate and politic constituting a public instrumentality of the State of Vermont. The Act empowers the Agency, among other things, to finance or assist in the financing of eligible institutions through financing agreements, which may include loan agreements, lease agreements, conditional sales agreements, purchase money mortgages, installment sale contracts and other types of contracts to acquire property, both real and personal, including leasehold and other interests in land, necessary or convenient for its corporate purposes; to acquire or make loans with respect to facilities, including buildings, improvements to real property, equipment, furnishings, appurtenances, utilities and other property, determined by the Agency to be necessary or convenient in the operation of any eligible institutions; to lease or to make loans with respect to such facilities to any such eligible institutions, and to issue refunding bonds of the Agency, whether the bonds to be refunded have or have not matured.

The Agency has heretofore authorized and issued numerous series of its bonds and notes, including, as previously described, bonds and notes issued on behalf of the Borrower. All outstanding Agency bonds and note issues have been authorized and issued pursuant to financing documents separate from and unrelated to the Loan Agreement and the Trust Agreement for the Bonds. Inasmuch as each series of bonds and notes of the Agency is secured separately from all other bonds and notes issued thereby, the moneys on deposit in the respective funds (including cash and securities in the respective reserve accounts) established to provide for the timely payment of the debt service requirements on the various issues of outstanding bonds and notes of the Agency cannot be commingled or be used for any purpose other than servicing the requirements of the specific series of bonds or notes in connection with which such funds were created.

The Agency under the Act may issue from time to time other bonds and notes under separate resolutions to assist eligible health care and educational facilities in the acquisition, construction, financing and refinancing of their related projects payable from revenues derived by the Agency from such borrowers.

Other than with respect to the description of the Agency provided herein, and the information with respect to the Agency under "NO LITIGATION" herein, the Agency has not prepared or reviewed, and expresses no opinion with respect to the accuracy or completeness of, any of the information set forth in this Official Statement.

No recourse shall be had for any claim based on the Bonds, the Loan Agreement or the Trust Agreement against any past, present or future member, officer, employee or agent, as such, of the Agency or of any predecessor or successor corporation, either directly or through the Agency or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise.

DESCRIPTION OF THE BONDS

SET FORTH BELOW IS A SUMMARY OF THE BONDS WHILE IN THE DAILY AND WEEKLY RATE MODES ONLY. THERE ARE SIGNIFICANT DIFFERENCES IN THE TERMS FOR THE BONDS IN THE EXTENDED RATE MODE OR THE FIXED RATE MODE.

THE CONVERSION OF THE INTEREST RATE ON THE BONDS FROM EITHER OF THE DAILY RATE MODE OR THE WEEKLY RATE MODE TO OTHER MODES INCLUDING ANY CONVERSIONS FROM THE WEEKLY RATE MODE TO THE DAILY RATE MODE, OR VICE VERSA, ALLOWED UNDER THE TRUST AGREEMENT IS TO BE PRECEDED BY A MANDATORY TENDER OF ALL BONDS AT PAR WITHOUT THE RIGHT OF ANY BONDHOLDER TO RETAIN THEM. SEE APPENDIX D HERETO FOR MORE INFORMATION. ALL TIMES REFERENCED BELOW ARE NEW YORK CITY TIME UNLESS OTHERWISE STATED.

Interest Rates

The Bonds shall be dated as of their date of delivery and payment and shall initially bear interest at the Weekly Rate, until converted to another Rate Period as provided in the Trust Agreement. The Bank Rate shall be applicable to any Bond for any period after its purchase by or for the account of the Bank as described below and prior to the date the Remarketing Agent sells such Bond pursuant to the Trust Agreement. The Variable Rate to be applicable to the Bonds during any Rate Period shall be determined by the Remarketing Agent. The Initial Interest Rate shall be established upon the date of delivery of the Bonds.

When the Bonds are bearing interest at the Daily Rate or the Weekly Rate, the Interest Payment Date for the Bonds is the first Business Day of each calendar month. While the Bonds bear interest at the Daily Rate or the Weekly Rate, the Regular Record Date is the Business Day immediately preceding the Interest Payment Date.

Determination of Variable Rates

(A) The Variable Rate to be applicable to the Bonds during any Daily or Weekly Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given as follows:

(1) The Daily Rate or Weekly Rate for the Rate Period in question shall be determined by the Remarketing Agent on the date or dates and at the time or times required pursuant to sections (B) and (C) below, as applicable. Notice of each such Daily Rate or Weekly Rate shall be given by telephone, e-mail or by facsimile (and, if by telephone, followed by notice in writing) by the Remarketing Agent to the Bond Trustee, not later than 5:00 p.m. on the date of determination. The Tender Agent shall inform the Holders, the Agency, the Borrower and the Bond Trustee of the applicable Daily or Weekly Rates, upon request.

(2) The Daily or Weekly Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to the principal amount thereof (plus accrued interest) under prevailing market conditions as of the date of determination; provided that: (i) if the Remarketing Agent fails for any reason to determine or notify the Tender Agent of (a) the Daily Rate

for any Daily Rate Period when required under the Trust Agreement, the Daily Rate for such period shall be the Daily Rate then in effect or (b) the Weekly Rate for any Weekly Rate Period when required under the Trust Agreement, the Weekly Rate for such Period shall be the Weekly Rate then in effect; and (ii) in no event shall the Variable Rate for any Variable Rate Period exceed the Maximum Rate. The Maximum Rate, with respect to all Bonds, other than Bank Bonds, is ten percent (10%) per annum.

(3) All determinations of Variable Rates under the Trust Agreement shall be conclusive and binding. The Borrower, the Agency, the Bond Trustee and the Remarketing Agent shall not be liable to any Holder for failure to give any notice required above or for failure of any Holder to receive any such notice.

(B) The Daily Rate shall be determined for each Daily Rate Period as follows:

(1) Each Daily Rate Period shall be of one day's duration; except that when the next day is not a business day, in which case its duration shall extend to but not include such next business day. In the case of a conversion of the Bonds from a Daily Rate Period, the last Daily Rate Period shall end on the Conversion Date.

(2) The Daily Rate for each Daily Rate Period shall be determined by the Remarketing Agent not later than 10:30 a.m. on each Business Day during the Daily Rate Period to which it relates.

(C) The Weekly Rate shall be determined for each Weekly Rate Period as follows:

(1) Weekly Rate Periods shall commence on Thursday through Wednesday of the following week; except that (a) in the case of a conversion from a Daily Rate Period or an Extended Rate Period to a Weekly Rate Period, the initial Weekly Rate Period shall be from the Weekly Rate Conversion Date through Wednesday of the following week; and (B) in the case of a conversion from a Weekly Rate Period, the last Weekly Rate Period shall end on the Conversion Date.

(2) The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent not later than 5:00 p.m. on the Business Day immediately prior to the commencement date of the Weekly Rate Period to which it relates.

(D) None of the Daily or Weekly Periods may extend beyond five days prior to the Expiration Date.

The Bonds will bear interest from the Interest Payment Date next preceding the date on which they are authenticated unless they are (1) authenticated upon any Interest Payment Date in which event they shall bear interest from such Interest Payment Date or (2) authenticated prior to the first Interest Payment Date in which event they will bear interest from their date or such later date as is specified in the resolution providing for their issuance; provided, however, that, if at the time of authentication of any Bond interest is in default, such Bond will bear interest from the date to which interest has been paid. All computations of interest shall be based on a 365- or 366-day year, as the case may be, for the actual number of days elapsed; except that interest at an Extended Rate or the Fixed Rate shall be computed on the basis of a 360-day year of twelve 30-day months.

The principal of and premium, if any, and the interest on the Bonds will be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the dates of payment thereof.

Conversion Between Variable Rate Periods

At the option of the Borrower, and upon delivery to the Agency and the Bond Trustee of an Opinion of Bond Counsel, the Bonds may be converted from one Variable Rate Period to another. If any Bonds are converted from one Variable Rate Period to another, then all of the Bonds shall be converted. Such conversion shall be made as follows:

(1) In the case of conversion between Variable Rate Periods, the Conversion Date shall be an Interest Payment Date for the Variable Rate Period from which the conversion is to be made.

(2) The Borrower shall give written notice of any such conversion to the Remarketing Agent, the Bond Trustee, the Tender Agent, the Agency and the Bank not less than five (5) Business Days prior to the date on which the Tender Agent is required to notify the Holders of the conversion pursuant to paragraph (3) below. Such notice shall specify the Conversion Date and the Rate Period to which the conversion will be made.

(3) Not less than thirty (30) days prior to any Conversion Date (fifteen (15) days in case of conversions from a Daily Rate Period to a Weekly Rate Period or vice versa), the Tender Agent shall mail or cause the Bond Trustee to mail a written notice of the conversion to the Bank, the Borrower and all of the Holders. A copy of such notice shall be sent to the Agency and the Bond Trustee. Such notice shall set forth (a) the information contained in the notice from the Remarketing Agent pursuant to paragraph (2) above.

No conversion from one Variable Rate Period to another shall take effect unless (i) the new Variable Rate Period will not extend beyond the Expiration Date and (ii) the interest component of the Credit Facility will cover interest on the Bonds computed at the Maximum Rate for such number of days as required by S&P, and, if the Bonds are then rated by another rating agency, such other rating agency.

Fixed Rate Conversion

At the option of the Borrower, all, but not less than all, of the Bonds may be converted to bear interest at a Fixed Rate. In such a case, the Bonds will be subject to mandatory tender on an Interest Payment Date on which interest is payable for the Daily or Weekly Rate Period from which the conversion is to be made.

Not less than forty-five (45) days prior to the Fixed Rate Conversion Date, the Borrower, (a) shall give written notice of the conversion to the Agency, the Tender Agent, the Bond Trustee, the Remarketing Agent and the Bank setting forth the proposed Fixed Rate Conversion Date, and (b) shall deliver to the Bond Trustee, the Bank and the Remarketing Agent an opinion of Bond Counsel to the effect that the conversion of the interest rate on the Bonds to a Fixed Rate will not cause the interest on the Bonds to become includable in the gross income of the recipients thereof for federal income tax purposes.

Not less than thirty (30) days prior to the proposed Fixed Rate Conversion Date, the Tender Agent shall mail, or cause the Bond Trustee to mail, a notice of the proposed conversion to the Holders of the Bonds, which notice shall state: (a) the proposed Fixed Rate Conversion Date; (b) that the Bonds are subject to mandatory tender for purchase on the Fixed Rate Conversion Date at a Purchase Price of par plus accrued interest; and (c) that, on or after the Fixed Rate Conversion Date, the Bonds shall be deemed purchased on that date and thereafter the Holders shall have no further rights except to receive such Purchase Price.

In certain circumstances set forth in the Trust Agreement, the Fixed Rate conversion may not occur. Notwithstanding this failure, the Bonds will be subject to mandatory tender as described above.

Redemption of Bonds

Optional Redemption. If during a Daily or Weekly Rate Period or an Extended Rate Period of six (6) months in length the Borrower exercises its option to prepay, in whole or in part, the Loan pursuant to the Loan Agreement, the Bonds shall be subject to optional redemption on any date at the written direction of the Borrower, delivered to the Bond Trustee and the Bank on or prior to the thirtieth (30th) day preceding the redemption date, as a whole or in part, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium.

Extraordinary Optional Redemption. If the Borrower exercises its option to prepay the Loan, as provided in the Loan Agreement, in whole or in part, upon the occurrence of certain events described below, the Bonds are required to be redeemed, in whole if such Loan is prepaid in full, or in part if such Loan is prepaid in part, on any date, upon payment of 100% of the principal amount of the Bonds to be redeemed plus interest accrued to the redemption date, without premium.

The Borrower has the option to prepay the Loan in full or in part at any time at par plus accrued interest upon the occurrence of one of the following events:

(a) Damage or destruction of all or any part (if damage or destruction of such part causes the Borrower to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Agency and the Bond Trustee) of its operating assets by fire or casualty, or loss of title to or use of substantially all of the operating assets as a result of the failure of title or as a result of eminent domain proceedings or proceedings in lieu thereof; or

(b) Changes in the Constitution of the United States of America or of the State or of legislation or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision;

in either event, to such extent that in the opinion of the board of trustees of the Borrower (expressed in a resolution) and in the opinion of an independent architect, engineer or management consultant (as may be appropriate for the particular event), both filed with the Agency and the Bond Trustee, (i) the Loan Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date of such Loan Agreement are imposed on the Borrower.

Extraordinary Mandatory Redemption. The Bonds are required to be redeemed in whole on the same day on which the Bond Trustee receives written notice from the Bank that an event of default shall have occurred and be continuing under the Reimbursement Agreement, at one hundred percent (100%) of the principal amount thereof plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption Without Premium. The Bonds are also required to be redeemed to the extent of any Sinking Fund Requirement therefor each Bond Year in which there is a Sinking Fund Requirement, at one hundred percent (100%) of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, without premium. Initially, the Sinking Fund Requirements for the Bonds shall be as set forth in the following table:

<u>December 1</u>	<u>Amount</u>	<u>December 1</u>	<u>Amount</u>
2012	\$ 45,000	2022	\$ 815,000
2013	45,000	2023	840,000
2014	45,000	2024	865,000
2015	50,000	2025	890,000
2016	50,000	2026	915,000
2017	50,000	2027	945,000
2018	55,000	2028	975,000
2019	55,000	2029	1,005,000
2020	765,000	2030	1,035,000
2021	790,000	2031*	1,065,000

*Final maturity

So long as the Credit Facility shall be in effect and shall not have been dishonored, the Sinking Fund Requirements with respect to the Bonds may be changed, without the consent of the Holders of the Bonds, by the Bank and the Borrower, subject to the receipt by the Agency and the Bond Trustee of an Opinion of Bond Counsel.

Notice of Redemption. Notice of redemption identifying the Bonds to be redeemed will be given by the Bond Trustee by first-class mail, postage prepaid, to all owners of the Bonds to be redeemed at least thirty (30) days

prior to the redemption date; provided, however, that such notice shall be given at least twenty (20) days before the redemption date in the case of Bonds being redeemed on or prior to the Fixed Rate Conversion Date; and provided, further, that in the case of an Extraordinary Mandatory Redemption described above, the Bond Trustee shall instead give notice promptly upon its receipt of notice from the Bank, as described above. Failure to mail any such notice to any owner or any defect in any notice so mailed will not affect the validity of the proceedings for the redemption of the Bonds of any other owner. No further interest will accrue on the principal of any Bond called for redemption after the redemption date if funds sufficient for such redemption have been deposited with the Bond Trustee.

With respect to any notice of optional redemption, such notice may state that such redemption shall be conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of Available Moneys or Defeasance Obligations purchased with Available Moneys, or a combination of both, sufficient to pay the applicable redemption price of and accrued interest on such Bonds to be redeemed, and that if such moneys or obligations shall not have been so received, said notice shall be of no force and effect, the Agency shall not be required to redeem such Bonds, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such redemption shall not occur.

Optional Tender of Bonds Prior to the Fixed Rate Conversion Date

Optional Tender. During any Daily Rate or Weekly Rate Period, the Holders of the Bonds may elect to have their Bonds (or portions thereof in authorized denominations) purchased at the Purchase Price, on the following Purchase Dates and upon the giving of the following notices:

(i) Bonds bearing interest at Daily Rates may be tendered for purchase on any Business Day upon delivery of a written notice of tender to the Tender Agent not later than 11:30 a.m. on the Business Day immediately preceding such Purchase Date; and

(ii) Bonds bearing interest at Weekly Rates may be tendered for purchase on any Business Day upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m. on a Business Day not less than seven (7) days prior to the Purchase Date.

Notice of Tender. Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Tender Agent at its designated office and be in form satisfactory to the Tender Agent;

(ii) shall state, whether delivered in writing or by telephone (promptly confirmed in writing by telecopy), (A) the principal amount of the Bonds or portion of the Bonds to be purchased, (B) that the Holder irrevocably demands purchase of the Bond or portion thereof, (C) the date on which such Bond or portion is to be purchased and (D) payment instructions; and

(iii) shall automatically constitute, whether delivered in writing or by telephone, (A) an irrevocable offer to sell the Bond or portion to which the notice relates on the Purchase Date to any purchasers selected by the Remarketing Agent, at the Purchase Price, (B) an irrevocable authorization and instruction to the Bond Registrar to effect transfer of such Bond or portion upon payment of such price to the Tender Agent on the Purchase Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Bond to be purchased in whole or in part for other Bonds of the Borrower in an equal aggregate principal amount so as to facilitate the sale of such Bond or portion, and (D) an acknowledgment that the Holder will have no further rights with respect to the Bond or portion upon payment of the Purchase Price thereof by the Tender Agent on the Purchase Date, except for the right of such Holder to receive such Purchase Price upon surrender of such Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Holder.

Remarketing. Not later than 4:30 p.m. on the Business Day immediately following the date of receipt of any notice of tender (12:00 p.m. on the day of receipt of the notice of tender during any Daily Rate Period), the Tender Agent shall notify the Remarketing Agent and the Bond Trustee (if the Bond Trustee is not serving as the

Tender Agent) of the principal amount of the Bonds or portions thereof to be tendered and remarketed and the date they are to be tendered and remarketed. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Bonds or portions thereof properly tendered. All such Bonds shall be remarketed at par plus any accrued interest. The terms of any sale by the Remarketing Agent of tendered Bonds shall provide for the purchase of the remarketed Bonds at the Purchase Price and the payment of the Purchase Price to the Tender Agent by the Remarketing Agent in immediately available funds against delivery of the remarketed Bonds to the Tender Agent at or before 9:00 a.m. on the Purchase Date. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any Bond if notice of conversion from one Variable Rate Period to another or to a Fixed Rate Period has been given to the Holders by the Tender Agent, unless the Remarketing Agent has advised the Person to whom the offer is made of such conversion and the effect of such conversion on the rights of such Holders to tender their Bonds, as described in the conversion notice from the Tender Agent to the Holders.

Purchase of Tendered Bonds. At or before 4:00 p.m. on the Business Day immediately preceding the date fixed for purchase of tendered Bonds, the Remarketing Agent shall give notice by telephone, facsimile, email, or other similar communication to the Borrower, the Agency, the Bond Trustee, the Tender Agent and, so long as the Credit Facility for the Bonds shall be in effect and shall not have been dishonored, the Bank, of the principal amount of tendered Bonds which were remarketed and give notice to the Bond Trustee by telephone (promptly confirmed in writing) of the principal amount, names, addresses and taxpayer identification numbers of the purchasers and the denominations of Bonds to be delivered to each purchaser.

The Remarketing Agent shall pay, against receipt of newly registered Bonds, to the Tender Agent at or before 9:30 a.m. on the date fixed for purchase of tendered Bonds, all amounts representing proceeds of the remarketing of the Bonds other than the proceeds of the remarketing of such Bonds purchased by the Borrower or the Agency or any Affiliate of either thereof. The Tender Agent (if other than the Bond Trustee) shall promptly notify the Bond Trustee of all amounts so received from the Remarketing Agent. The Bond Trustee shall, at or before 10:00 a.m. on the date fixed for purchase, submit the necessary draw certificates in accordance with the terms of the Credit Facility to ensure that, on such Purchase Date, an amount equal to the total Purchase Price of all Bonds tendered for purchase on such Purchase Date, reduced by the amount of remarketing proceeds held by the Tender Agent for payment of such Purchase Price, shall be drawn on the Credit Facility for the Bonds, and the Bond Trustee shall, immediately upon receipt of the amount drawn on the Credit Facility, remit such amount to the Tender Agent. No drawing under the Credit Facility shall be made or proceeds applied to pay the Purchase Price of any Bonds owned by the Bank or any Bonds that have been converted to bear interest at a Fixed Rate.

The Remarketing Agent shall pay to the Bond Trustee at or before 9:30 a.m. on the date fixed for purchase of tendered Bonds all amounts representing proceeds of remarketing of Bonds purchased by the Borrower or the Agency or any Affiliate of either thereof. The Bond Trustee shall remit all amounts representing proceeds of remarketing of Bonds so purchased to the Bank, not later than 2:00 p.m. on the date the Bonds are so purchased.

Payments by the Tender Agent. On or before 4:00 p.m. on the date set for purchase of tendered Bonds and upon receipt by the Tender Agent of 100% of the aggregate Purchase Price of the tendered Bonds, the Tender Agent shall pay the Purchase Price of the Bonds to such Holders thereof at its corporate trust office or by bank wire transfer to the accounts specified in the appropriate Optional Tender Notices. Such payments shall be made in immediately available funds. The Tender Agent shall apply in order (A) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such Bonds by the Remarketing Agent (which shall not include the proceeds of the remarketing of such Bonds purchased by the Borrower or the Agency or any Affiliate of either thereof), (B) moneys drawn on the Credit Facility in an amount equal to the unpaid Purchase Price of such tendered Bonds, and (C) any other moneys available to it for the payment of such tendered Bonds. Upon receipt thereof the Tender Agent shall remit to the Bond Trustee all such tendered Bonds for cancellation.

Resale of Bonds Purchased by the Bank. The Remarketing Agent shall continue to offer for sale and use its best efforts to sell Bonds purchased by the Bank at a price equal to the principal amount thereof plus accrued interest, if any. Bonds purchased by the Bank to be delivered as a result of the resale of the Bonds shall not be delivered by the Bond Trustee unless the Credit Facility is reinstated in accordance with its terms in an amount equal to the full amount drawn thereunder that was used to purchase such Bonds and unless the Bond Trustee shall have received written notice from the Bank of such reinstatement. The Bond Trustee shall promptly take such action as is required of it pursuant to the Credit Facility to cause such reinstatement.

Delivery of Bonds. All Bonds to be purchased on any date shall be required to be delivered to the corporate trust office of the Tender Agent at or before 10:00 a.m. on the Purchase Date.

Mandatory Tender of Bonds upon Variable or Fixed Rate Conversion

Mandatory Tender. In the event of a conversion of the Bonds from one Rate Period to another, such Bonds will be subject to mandatory tender for purchase on the Conversion Date at a price equal to the Purchase Price.

Purchase of Tendered Bonds. The provisions described above under “DESCRIPTION OF THE BONDS – Optional Tender of Bonds Prior to the Fixed Rate Conversion Date – Purchase of Tendered Bonds” shall apply to mandatory tenders upon conversion to the Variable Rate or a Fixed Rate.

Mandatory Tender of Bonds upon Expiration of the Credit Facility

Mandatory Tender. The Bonds shall be subject to mandatory tender for purchase on the Expiration Date at a price equal to the principal amount thereof plus accrued interest; provided that the Holders of such Bonds may elect to retain their Bonds notwithstanding a mandatory tender by delivering to the Tender Agent at its principal office not later than 5:00 p.m. on a Business Day which is not less than fourteen (14) Business Days prior to the Expiration Date a written notice of such election. Such written notice shall (i) state that the person delivering the same is a Holder (specifying the numbers and denominations of the Bonds of such Holder); (ii) state that the Holder is aware of the fact that, after the Expiration Date therefor, such Bonds will no longer have the benefit of the Credit Facility, and that the ratings of the Bonds, if any, may therefore be reduced or dropped; and (iii) direct the Tender Agent not to purchase the Bonds of such Holder. Any such notice delivered to the Tender Agent shall be irrevocable and binding upon the Holder delivering the same and all subsequent Holders of the Bonds to be retained, including any Bonds issued in exchange therefore or upon transfer thereof.

Notice to Holders. The Bond Trustee shall mail a notice of the Expiration Date of the Credit Facility to all Holders of the Bonds. Such notice shall be mailed not less than thirty (30) nor more than forty-five (45) days prior to the Expiration Date and shall (i) specify the Expiration Date, (ii) state that, after the Expiration Date, the Bonds will no longer have the benefit of the Credit Facility, and that the ratings of the Bonds, if any, may thereafter be reduced or dropped, (iii) specify the date and time by which any notice of election to retain Bonds must be received, and specify the matters required to be stated in such notice (or contain the form thereof) and (iv) state that with respect to any Bonds for which an election to retain Bonds has not been received by the Tender Agent, such Bonds shall be deemed tendered on the Expiration Date provided the conditions set forth below under “DESCRIPTION OF THE BONDS – Undelivered Bonds” have been met.

Purchase of Tendered Bonds. The provisions described above under “DESCRIPTION OF THE BONDS – Optional Tender of Bonds Prior to the Fixed Rate Conversion Date – Purchase of Tendered Bonds” shall apply to mandatory tenders upon expiration of the Credit Facility.

Mandatory Tender of Bonds upon Provision of Alternate Credit Facility

Mandatory Tender. The Bonds shall be subject to mandatory tender for purchase on the Business Day on which an Alternate Credit Facility will become effective at a price equal to the principal amount thereof plus accrued interest; provided that the Holders of the Bonds may elect to retain their Bonds notwithstanding such a mandatory tender by delivering to the Tender Agent at its corporate trust office not later than 5:00 p.m. on a Business Day which is not less than fourteen (14) Business Days prior to the effective date of the Alternate Credit Facility, a written notice of such election complying with the requirements described below. Any such notice delivered to the Tender Agent shall be irrevocable and binding upon the Holder delivering the same and all subsequent Holders of the Bonds to be retained including any the Bonds issued in exchange therefor or upon transfer thereof. The Bonds will not be subject to mandatory tender for purchase upon the effective substitution of a Substitute Credit Facility for the Credit Facility then in effect.

Notice to Holders. Notice of the substitution of an Alternate Credit Facility shall be mailed by the Bond Trustee to each Holder of the Bonds in compliance with the requirements described under the caption “SECURITY FOR THE BONDS – Alternate Credit Supports – Alternate Credit Facilities” below.

Purchase of Tendered Bonds. On or before 10:00 a.m. on the Business Day preceding the effective date of an Alternate Credit Facility, the Bond Trustee shall submit the necessary draw certificates in accordance with the terms of the Credit Facility to ensure that, on such Business Day, an amount shall be drawn on the Credit Facility equal to the total Purchase Price of all Bonds deemed to be tendered, reduced by the amount of remarketing proceeds held by the Tender Agent for payment of such Purchase Price. The Tender Agent shall pay such Purchase Price in the manner set forth under “DESCRIPTION OF THE BONDS – Optional Tender of Bonds Prior to the Fixed Rate Conversion Date – Purchase of Tendered Bonds” above.

Undelivered Bonds

Any Bonds subject to mandatory tender for purchase shall be delivered to the Tender Agent on or prior to the date on which the Bonds are required to be purchased and any Bonds subject to mandatory tender for purchase that are not delivered for which there has been irrevocably deposited in trust with the Tender Agent an amount of money sufficient to pay the Purchase Price thereof shall be deemed to have been tendered to the Tender Agent pursuant to this Section and shall be Undelivered Bonds. IN THE EVENT OF A FAILURE BY A HOLDER (OTHER THAN A HOLDER WHO HAS PROPERLY GIVEN NOTICE OF ITS INTENTION TO CONTINUE TO HOLD ITS BONDS) TO DELIVER ITS BONDS ON OR PRIOR TO THE REQUIRED DATE, SUCH HOLDER SHALL NOT BE ENTITLED TO ANY PAYMENT (INCLUDING ANY INTEREST TO ACCRUE SUBSEQUENT TO THE REQUIRED PURCHASE DATE) OTHER THAN THE PURCHASE PRICE FOR SUCH UNDELIVERED BONDS, AND ANY UNDELIVERED BONDS SHALL NO LONGER BE ENTITLED TO THE BENEFITS OF THE TRUST AGREEMENT, EXCEPT FOR THE PAYMENT OF THE PURCHASE PRICE THEREFOR. The Bond Trustee shall be entitled to place stop-transfer orders against an appropriate principal amount of Bonds registered in the name of such prior Holders. Any moneys held by the Tender Agent under the Trust Agreement for the purchase of Undelivered Bonds shall be held in a segregated fund by the Tender Agent, shall not be invested, and shall be held for the exclusive benefit of the Holders of such Undelivered Bonds.

The Bond Trustee shall authenticate a new Bond or Bonds in replacement of any Undelivered Bonds. The replacement of any Undelivered Bond shall not be deemed to create a new indebtedness, but such Bond as is issued shall be deemed to evidence the indebtedness previously evidenced by the Undelivered Bond.

Bank Deemed Holder

For all purposes of the provisions of the Trust Agreement regarding defaults and remedies and supplements to such Trust Agreement and the Loan Agreement, the Bank shall, so long as the Credit Facility shall be in effect and shall not have been dishonored and uncured and so long as any Bank Obligations with respect to the Borrower remain unpaid, be deemed the Holder of all Bonds. As such, the Bank may take all actions permitted by the provisions of the Trust Agreement regarding defaults and remedies and supplements to the Trust Agreement and the Loan Agreement to be taken by the Holders of the Bonds, to the exclusion of the actual Holders of the Bonds, as if the Bank was in fact the actual Holder of all such Bonds; the purposes of this provision being to permit the Bank to direct the taking of actions and the enforcement of remedies permitted by the provisions of the Trust Agreement regarding defaults and remedies and to consent to supplements to the Trust Agreement and the Loan Agreement so long as the Credit Facility shall be in effect and shall not have been dishonored and uncured and so long as any Bank Obligation remains unpaid.

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system was obtained from material provided by DTC. None of the Agency, the Borrower, the Bond Trustee or the Underwriter takes any responsibility for the accuracy of such information, makes any representation as to the completeness of such information or makes any representation as to the absence of material changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be initially issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity and series, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions applicable to registered owners would apply: (i) Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate, in other authorized denominations, upon surrender thereof at the designated corporate trust office of the Bond Trustee; (ii) the transfer of any Bonds may be registered on the books maintained by the Bond Trustee for such purpose only upon the surrender thereof to the Bond Trustee together with a duly executed assignment in form satisfactory to the Corporation and the Bond Trustee; and (iii) for every exchange or registration of transfer of Bonds, the Bond Trustee may impose a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds.

Additional Information

For every transfer and exchange of the Bonds, DTC, the Bond Trustee, as Bond Registrar, and the DTC Participants may charge the Beneficial Owner a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AGENCY BELIEVES TO BE RELIABLE, BUT THE AGENCY, THE BORROWER, THE BOND TRUSTEE AND THE UNDERWRITER TAKE NO

RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY THE AGENCY, THE BORROWER, THE BOND TRUSTEE OR THE UNDERWRITER AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE AGENCY, THE BORROWER, THE BOND TRUSTEE OR THE UNDERWRITER TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE AGENCY NOR THE BOND TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AGENCY'S OBLIGATION UNDER THE ACT AND THE TRUST AGREEMENT TO THE EXTENT OF SUCH PAYMENTS.

SO LONG AS CEDE & CO. OR SUCH OTHER DTC NOMINEE IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. OR SUCH OTHER DTC NOMINEE AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS. PAYMENTS MADE BY THE BOND TRUSTEE TO DTC OR ITS NOMINEE SHALL SATISFY THE AGENCY'S OBLIGATIONS WITH RESPECT TO THE BONDS TO THE EXTENT OF SUCH PAYMENTS.

IT IS THE DUTY OF EACH BENEFICIAL OWNER TO ARRANGE WITH THE DTC PARTICIPANT OR INDIRECT PARTICIPANT TO RECEIVE FROM SUCH DTC PARTICIPANT OR INDIRECT PARTICIPANT PAYMENTS OF PRINCIPAL AND INTEREST, CREDIT BALANCES AND ALL OTHER COMMUNICATIONS WHICH THE DTC PARTICIPANT OR INDIRECT PARTICIPANT RECEIVES FROM DTC.

NONE OF THE AGENCY, THE BOND TRUSTEE, THE BORROWER OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OF DTC OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY AN PARTICIPANT OF DTC, (II) PAYMENTS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, (III) THE SELECTION BY DTC OR BY ANY PARTICIPANT OF DTC OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS OR (IV) ANY OTHER ACTION TAKEN BY DTC OR ITS PARTNERSHIP NOMINEE AS OWNER OF THE BONDS.

SECURITY FOR THE BONDS

Security for the Bonds

The Bonds will be secured by (1) the Loan Repayments, (2) the Credit Facility, (3) Obligation No. 5, and (4) all other moneys and securities held from to time by the Bond Trustee for the Bondholders under the Trust Agreement.

Principal or purchase price of and interest and any premium on the Bonds will be payable from moneys paid by the Borrower pursuant to the Loan Agreement and by the Obligated Group pursuant to Obligation No. 5. Payment of Obligation No. 5 will be the joint and several obligation of the members of the Obligated Group. Currently, the Borrower is the only member of the Obligated Group.

Pursuant to the Master Trust Indenture, as security for the payment of the amounts due on the Obligations issued under the Master Trust Indenture, the Borrower has pledged and granted, and any other future members of the Obligated Group will pledge and grant, a security interest in the Pledged Assets to the Master Trustee. The Pledged Assets consist of the Gross Receipts of the members of the Obligated Group, now owned or hereafter acquired, and Machinery and Equipment of the Borrower as of June 1, 2007, and all substitutions, replacements, products and proceeds thereof. For purposes of the Master Trust Indenture, the term "Gross Receipts" means all Accounts and all

revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions and the income therefrom to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of the Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by the Master Trust Indenture, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or hospital insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property. For purposes of the Master Trust Indenture, the term "Machinery and Equipment" means all personal property of the Borrower constituting machinery and equipment owned by the Borrower as of June 1, 2007, and any substitutions, replacements, products and proceeds thereof, including the proceeds of any insurance policies with respect thereto. The security interest in the Pledged Assets has been perfected to the extent, and only to the extent, that such security interest may be perfected by filing financing statements under the Uniform Commercial Code of the State of Vermont (the "UCC"). Continuation statements with respect to such filings must be filed every five years to continue the perfection of such security interest. The security interest in the Pledged Assets is subject to Permitted Liens that existed prior to or that may be created subsequent to the time the security interest in the Pledged Assets attached and subject to the right of each member of the Obligated Group to sell Accounts or incur Indebtedness secured by Accounts under certain circumstances as set forth in the Master Trust Indenture. The security interest in the Pledged Assets may not be enforceable against third parties unless the Pledged Assets are transferred to the Master Trustee (which transfer members of the Obligated Group are required to make only if requested by the Master Trustee after a default under the Master Trust Indenture) and is subject to certain exceptions under the UCC. The enforcement of the security interest in the Pledged Assets may be further limited by the following: (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal or State statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal bankruptcy laws, State of Vermont receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Trust Indenture or the security interest in the Pledged Assets and (vi) rights of third parties in the Pledged Assets not in the possession of the Master Trustee. See "BONDHOLDERS' RISKS – Enforcement of Bondholder Remedies; Bankruptcy" herein.

The actual realization of amounts to be derived upon the enforcement of any security interest securing the Bonds will depend upon the exercise of various remedies specified by the Loan Agreement, the Trust Agreement and the Master Trust Indenture. These and other remedies may, in many respects, require judicial action of a nature that is often subject to discretion and delay. Under existing law, the remedies specified by the Loan Agreement, the Trust Agreement and the Master Trust Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, fraudulent conveyance, reorganization and other laws affecting the enforcement of creditors' rights generally. See "BONDHOLDERS' RISKS – Enforcement of Bondholder Remedies; Bankruptcy" herein.

Pursuant to the Master Trust Indenture, the members of the Obligated Group are subject to covenants under the Master Trust Indenture relating to maintenance of a Long-Term Debt Service Coverage Ratio and concerning, among other things, incurrence of Indebtedness, existence of liens on Property, consolidation and merger, disposition of assets, addition of members to the Obligated Group and withdrawal of members from the Obligated Group. See Appendix D hereto for further details about the Master Trust Indenture.

THE MASTER TRUST INDENTURE PERMITS MEMBERS OF THE OBLIGATED GROUP TO ISSUE OR INCUR ADDITIONAL INDEBTEDNESS EVIDENCED BY OBLIGATIONS THAT WILL SHARE THE SECURITY FOR OBLIGATION NO. 5 ON A PARITY WITH OBLIGATION NO. 5 (INCLUDING THE EXISTING OBLIGATIONS ISSUED UNDER THE MASTER TRUST INDENTURE).

Pursuant to the Trust Agreement, the Agency will, for the benefit of the owners of the Bonds, assign certain of the Agency's rights under the Loan Agreement, including all its rights, title and interest in and to the Loan

Repayments (subject to the reservation of certain rights of the Agency, including its rights to notices, payment of certain expenses and indemnity), and will assign all of its right, title and interest in and to Obligation No. 5, and to any and all moneys and securities in the Bond Fund, and, until applied in payment of any item of the cost of the Project, to all money and securities in the Construction Fund, to the Bond Trustee.

Prior to and on the Expiration Date, the payment of the principal or redemption price of and the interest on the Bonds shall be made only with first, money constituting Available Moneys, second, money derived from a drawing by the Bond Trustee under the Credit Facility, and third, money otherwise available for such payment that does not constitute Available Moneys; provided, however, that no optional redemption of the Bonds shall be made with other than Available Moneys without the prior written consent of the Bank, and then such redemption shall be made only with money derived from a drawing by the Bond Trustee under the Credit Facility.

Alternate Credit Supports

Substitute Credit Facilities. The Credit Facility, as initially issued, will expire by its terms on November 30, 2016. Any Substitute Credit Facility may be substituted for any Credit Facility then in effect at any time other than during the sixty (60) day period preceding the Expiration Date in effect if the Borrower has satisfied the requirements of the Trust Agreement with respect to the Substitute Credit Facility. The Bond Trustee shall notify the Holders of the Bonds of such substitution within five days after the effective date thereof. A Substitute Credit Facility means an irrevocable letter of credit issued by the provider of the Credit Facility then in effect containing substantially the same terms as the initial Credit Facility, and delivered to the Bond Trustee in substitution for the Credit Facility then in effect. The Bonds will not be subject to mandatory tender upon the substitution of the Credit Facility with a Substitute Credit Facility.

Alternate Credit Facilities. An Alternate Credit Facility may be substituted for a Credit Facility then in effect any time other than during the sixty (60)-day period preceding the Expiration Date of such Credit Facility if the Borrower, (i) delivers to the Bond Trustee such Alternate Credit Facility at least thirty-five (35) days in advance of the date such Alternate Credit Facility will become effective and (ii) satisfies the requirements of the Trust Agreement with respect to such Alternate Credit Facility.

Notice of the substitution of an Alternate Credit Facility will be made by the Bond Trustee to each Holder of such Bonds at his address as shown on the registration books on or before the thirtieth (30th) day before such Alternate Credit Facility will become effective. Such notice shall state (i) that the existing Credit Facility is being replaced by an Alternate Credit Facility, (ii) the rating that will be assigned to the Bonds by S&P, if the Bonds are rated by S&P, and Moody's, if the Bonds are rated by Moody's, as a result of the substitution, (iii) that all Holders who wish to continue to own Bonds on or after the date such Alternate Credit Facility will be effective must give notice to that effect to the Tender Agent no later than 4:00 p.m., New York City time, on or before the fourteenth (14th) Business Day prior to such effective date or be deemed to have tendered their Bonds for purchase on the Business Day preceding such effective date and (iv) state that with respect to any Bonds for which an election to retain such Bonds pursuant to this paragraph has not been received by the Tender Agent, such Bonds shall be deemed tendered on the effective date of the Alternate Credit Facility provided that the conditions described under "DESCRIPTION OF THE BONDS – Undelivered Bonds" have been met.

Any Holder desiring to retain its Bonds on and after the date the Alternate Credit Facility will be effective must notify the Tender Agent in writing received not later than the fourteenth (14th) day prior to such effective date. Such notice shall state in substance (i) the numbers and principal amount of the Bonds to be retained and (ii) that such Holder is aware that the rating(s) assigned to the Bonds, if any, by S&P or Moody's may be lower than those assigned to the Bank, as the case may be. Any Holder not delivering such a notice shall be deemed to have tendered his Bonds for purchase by the Tender Agent on the Business Day preceding the date such Alternate Credit Facility will be effective.

Documents to be Delivered. Prior to the provision of any Substitute Credit Facility or Alternate Credit Facility, the Borrower shall have delivered to the Bond Trustee: (i) with respect to a Substitute Credit Facility, written confirmation from each rating agency that such substitution will not result in a reduction or withdrawal of the rating or ratings in effect for the Bonds immediately prior to such substitution, (ii) an opinion of counsel for the issuer of the Substitute Credit Facility or Alternate Credit Facility that such contract constitutes a legal, valid and

binding obligation of the issuer thereof enforceable in accordance with its terms, subject only to bankruptcy, insolvency, moratorium and other laws or equitable principles affecting creditors rights insofar as the same may be applicable in the event of a bankruptcy, insolvency, moratorium or other similar proceeding or occurrence with respect to the issuer; (iii) an opinion of counsel satisfactory to the Bond Trustee to the effect that the exemption of the Bonds, or any securities evidenced thereby, from the registration requirements of the Securities Act of 1933, as amended, and the exemption of the Trust Agreement from qualification under the Trust Indenture Act of 1939, as amended, shall not be impaired by such substitution; and (iv) an opinion of Bond Counsel to the effect that such substitution will not cause the interest on the Bonds to become includable in the gross income of the recipients thereof for federal income tax purposes.

THE BANK AND THE CREDIT FACILITY

The Bank

Attached hereto as Appendix C is certain information concerning the Bank as the issuer of the Credit Facility.

The Credit Facility

The statements made herein concerning the Credit Facility are a summary and do not purport to be complete. Such statements use certain terms defined in the Credit Facility and are qualified in their entirety by reference to the detailed provisions of the Credit Facility.

The Credit Facility is an irrevocable obligation of the Bank to pay the Bond Trustee, upon presentation of sight drafts and appropriate certifications, an aggregate amount up to the principal of (including the portion of the purchase price corresponding to principal on a tender of the Bonds) and up to thirty five (35) days' accrued interest on the outstanding Bonds (such amount, as from time to time adjusted as provided below, hereinafter called the "Available Amount"). The Available Amount of the Credit Facility shall (A) be decreased from time to time (i) immediately following the Bank's honoring the Bond Trustee's draft drawn on the Bank under the Credit Facility by an amount equal to the amount of such draft and (ii) immediately upon receipt of notice by the Bank from the Bond Trustee of any reduction in the Available Amount as a result of redemption or defeasance of Bonds, by an amount equal to the amount set forth in such notice, and (B) be increased (but in no event shall the amount of any such increase cause the Available Amount to exceed \$11,408,357) to the extent, but only to the extent, of amounts drawn under the Credit Facility (a) relating to payment of interest on the Bonds unless the Bank has notified the Bond Trustee within nine days following such payment that an Event of Default has occurred and is continuing under the Reimbursement Agreement, and (b) so long as no Default shall exist under the Reimbursement Agreement upon written notice to the Bank of the remarketing and reimbursement to the Bank from the remarketing of Bonds that have been tendered to the Tender Agent pursuant to the optional tender provisions of the Trust Agreement.

The Bond Trustee is required by the Trust Agreement to draw upon the Credit Facility prior to and including the Expiration Date in the following circumstances:

(1) No later than 10:00 a.m., New York City time, on each date on which interest is payable on the Bonds, the Trust Agreement requires the Bond Trustee to present a sight draft to the Bank together with required certificates for the payment of an amount which, together with Available Moneys held by the Bond Trustee in the Interest Account for the Bonds, will be sufficient to pay the interest becoming due on the Bonds.

(2) No later than 10:00 a.m., New York City time, on each day on which principal is due on the Bonds prior to and including the Expiration Date, whether by optional redemption, mandatory redemption, acceleration or maturity, the Trust Agreement requires the Bond Trustee to present a sight draft to the Bank together with required certificates for the payment of an amount which, together with Available Moneys available therefor held by the Bond Trustee for the Bonds, will be sufficient to pay the principal of all Bonds becoming due upon presentation and surrender thereof.

(3) Upon receipt of the Bonds which have been tendered for purchase on or prior to the Fixed Rate Conversion Date, and which have not been purchased from moneys provided by the Remarketing Agent, the Bond

Trustee shall at or before 10:00 a.m., New York City time, on the date fixed for purchase present a sight draft to the Bank together with required certificates for payment of the principal amount thereof plus accrued interest, if any.

No drawing under the Credit Facility shall be made or any proceeds or any drawing applied to pay the interest on Bonds owned by the Bank or on Bonds that have been converted to bear interest at a Fixed Rate.

The Credit Facility expires by its terms on the earlier of: (i) November 30, 2016; (ii) fifteen (15) days after the Fixed Rate Conversion Date or the date on which the Bank honors a drawing under the relevant Credit Facility on or after the Fixed Rate Conversion Rate; (iii) the date which is 15 days after the date the Bond Trustee receives notice from the Bank of an Event of Default under the Reimbursement Agreement; (iv) the date on which the Bank receives notice from the Bond Trustee that it has received a Substitute or an Alternate Credit Facility and such Substitute or Alternate Credit Facility has been in effect for one Business Day; or (v) the date when the principal balance of the Available Amount has been reduced to zero and is not subject to reinstatement.

The Borrower may elect to have a Substitute or an Alternate Credit Facility secure the Bonds. See "SECURITY FOR THE BONDS – Alternate Credit Supports."

The Reimbursement Agreement

The following summarizes certain provisions of the Reimbursement Agreement pursuant to which the Credit Facility is being issued. Reference is made to the Reimbursement Agreement for the details of the provisions thereof.

Security

As security for the Credit Facility, the Borrower has issued its Obligation No. 6 under the Master Trust Indenture to the Bank. The Borrower has agreed not to create or incur or suffer to be created or incurred or to exist any lien, encumbrance, mortgage, pledge, negative pledge, charge, restriction or other security interest of any kind on any of its Property (except Permitted Liens and other liens to which either the Bank consents, or for which the Borrower meets certain requirements set out in the Reimbursement Agreement).

Events of Default

Certain events, acts or occurrences shall constitute "Events of Default" under the Reimbursement Agreement. Such events of default include, without limitation: (a) default in the payment when due of: (i) any disbursement made by the Bank on behalf of the Borrower under the Credit Facility, (ii) any interest on any disbursement by the Bank under the Credit Facility, or (iii) any fees or other amounts payable under the Reimbursement Agreement; or (b) any representation or warranty of the Borrower in the Reimbursement Agreement or the Loan Agreement, or in the event any certificate, or instrument delivered to the Bank shall prove to have been incorrect in any material respect when made or reaffirmed; or (c) the Borrower shall default in the performance of observance or any term of the Reimbursement Agreement and such default, if a non-monetary default, shall continue for 15 days after written notice from the Bank; or (d) the Borrower shall default, after giving effect to any grace period, in the performance or observance of any term, under certain related documents; or (e) a judgment for payment of money in an aggregate amount which, if paid, would have a material adverse effect on the Borrower shall be rendered against the Borrower, and shall remain unsatisfied for thirty (30) days during which no stay of execution has been obtained, unless such judgment has been adequately reserved on the books of the Borrower or is insured; or (f) certain undismissed events of bankruptcy or insolvency with respect to the Borrower shall occur; or (g) a Reportable Event or a material violation of ERISA shall have occurred with respect to any Plan or any employment benefit plan (as such term is defined by ERISA) sponsored by the Borrower or to which the Borrower is a participating employer, or (h) the Master Trust Indenture (with associated financing statements), after delivery thereof, shall for any reason, except to the extent permitted by the terms thereof, cease to create a valid and perfected security interest of the priority set forth therein in any of the collateral purported to be covered thereby; or (i) the Borrower shall default in the payment when due, after giving effect to any grace period, of any present or future indebtedness.

In the event of the occurrence of an Event of Default under the Reimbursement Agreement, and at any time during the continuance of such event, the Bank may declare all amounts under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest, or further notice of any kind, all of which are waived by the Borrower. Thereafter, the Bank may proceed to protect and enforce its rights, at law, in equity, or otherwise, against the Borrower, and may proceed to liquidate and realize upon any of its security in accordance with the rights of a secured party under the UCC, or any loan document, any agreement between the Borrower and the Bank relating to the Reimbursement Agreement, and under any security granted to the Master Trustee pursuant to the Master Trust Indenture.

If, at the time of the occurrence of an Event of Default under the Reimbursement Agreement, there remains any undisbursed portion of the Bank's commitment under the Credit Facility, the Borrower, upon demand, shall pay to the Bank to be held for application to drawings under the Credit Facility, a sum which equals the entire commitment amount as of such date. Any amount so paid which has not been drawn on as of the expiry of the Credit Facility shall be applied to the Borrower's other liabilities to the Bank (as applicable), and the balance, if any, shall be paid to the Borrower.

THE BORROWER

For a discussion of the Borrower, its governance, administration, facilities, and a summary of its financial operations, see Appendix A to this Official Statement. See also the financial statements of the Borrower in Appendix B to this Official Statement.

ESTIMATED SOURCES AND USES OF FUNDS

The Bonds are being issued for the purpose of providing funds to (1) to refund the 2007 Tax-Exempt Bonds and, (2) fund certain capital expenditures incurred or to be incurred in connection with the 2011 Project and (3) finance the payment of a portion of certain expenses incurred in connection with the issuance of the Bonds. Set forth below are the estimated sources of funds that will be available for such purposes and the estimated uses of funds required for such purposes:

Sources of Funds

Par Amount of the Bonds	\$11,300,000
Available Funds held by Trustee of the 2007 Tax-Exempt Bonds	<u>161,000</u>
Total Sources	<u>\$11,461,000</u>

Uses of Funds

Capital Expenditures – 2011 Project	\$ 8,935,000
Refunding of 2007 Tax-Exempt Bonds	2,316,000
Cost of Issuance* and Credit Enhancement	<u>210,000</u>
Total Uses of Funds	<u>\$11,461,000</u>

* This amount includes underwriter's discount and other costs for legal, accounting, trustee, rating and printing expenses and financial advisor and Agency fees relating to the issuance of the Bonds. Any such expenses in excess of 2% of the proceeds of the Bonds will be paid by the Borrower from other funds.

BONDHOLDERS' RISKS

Purchase of the Bonds involves a degree of risk. Prospective purchasers of the Bonds should give careful consideration to the matters referred to in the following summary. Such summary should not be considered exhaustive, but rather informational only.

No Obligation of the State or any Municipality or Political Subdivision

Neither the faith and credit nor the taxing power of the State or of any municipality or political subdivision of the State is pledged to the payment of the Bonds. The Bonds are special obligations of the Agency payable solely from the sources described in this Official Statement.

Default by the Bank under the Credit Facility

The primary security for the Bonds is intended to be an irrevocable, transferable, direct-pay letter of credit, which is a general unsecured obligation of the Bank and not guaranteed or secured by any governmental agency. It is possible however, in the event of the insolvency of the Bank or the occurrence of some other event precluding the Bank from honoring its obligation to make payment as stated in the Credit Facility, that the financial resources of the Borrower and any future Member of the Obligated Group will be the secondary sources of payment on the Bonds. There can be no assurance that the financial resources of the Borrower and any future Member of the Obligated Group, even though obligated under the Loan Agreement to pay, would be sufficient to pay the principal and premium, if any, and interest on and purchase price of the Bonds. There can be no assurance that the Borrower will be able to replace the Credit Facility and provide an Alternate Credit Facility or any other credit support for the Bonds in the event of a default by the Bank or for any other reason.

There can be no assurance that the credit rating of the Bank will continue at its current level. A decline in the credit rating of the Bank could result in a decline in any rating that may be assigned to the Bonds from time to time which could in turn affect the market price for, rates, or marketability of the Bonds. For information concerning the Bank, see Appendix C hereto.

Source of Payment of the Bonds

The Bonds are payable from drawings under the Credit Facility and from payments to be made by the Borrower under their Obligations and Loan Agreement. While the future ability of the Borrower to meet its obligations under the Loan Agreement is based upon assumptions and business judgments that the Borrower believes are reasonable and appropriate, they are subject to conditions which may change in the future to an extent that cannot be determined at this time. Thus, no assurance can be given that revenues will be realized by the Borrower in amounts sufficient to pay, when due, the principal of and interest on the Bonds.

The earnings and revenue of the Borrower are subject to, among other things, demand for the services offered by the Borrower, the ability of the Borrower to continue to provide such services, competition, rates, costs, management and staff personnel and future economics and other developments, all of which are unpredictable and which may affect revenues and the payment of principal and interest on the Bonds.

The Borrower expects that it will experience increases in operating costs due to inflation and other factors. There is no assurance that cost increases will be matched by increased rates and charges in amounts sufficient to generate an excess of revenues over expenses at the levels experienced by the Borrower. As a result of such uncertain factors, there can be no assurance that the Borrower will realize revenues sufficient to make the Loan Repayments.

In connection with the issuance of Obligation No. 7, the Borrower shall pledge and grant a security interest in the Investment Account pursuant to the terms of the Pledge Agreement. Such pledge is not expected to be available to the payment of the Bonds. Such pledge of the Investment Account may adversely affect the Borrower's ability to make Loan Repayments. Further, the failure of the Borrower to comply with its obligations relating to Obligation No. 7 may result in an event of default under the Reimbursement Agreement, causing the Bonds to be

subject to mandatory tender at a price equal to one hundred percent (100%) of the principal amount thereof (without premium), plus accrued interest.

Mandatory Tender/Redemption

The Bonds are subject to mandatory tender for purchase on the Expiration Date. No assurance can be given that the Bank will renew the Credit Facility or that the Borrower will be able to deliver a Substitute or an Alternate Credit Facility that complies with the provisions of the Trust Agreement. Further, upon the occurrence of certain events, including, but not limited to, (a) default by the Borrower of its obligations under the Bonds, Loan Agreement or Reimbursement Agreement, and (b) damage to or condemnation of all or a part of the Project, the Bonds may be subject to mandatory tender or mandatory redemption in whole or in part at a price equal to one hundred (100%) of the principal amount thereof (without premium), plus accrued interest. See “THE BANK AND THE CREDIT FACILITY — The Reimbursement Agreement,” “DESCRIPTION OF THE BONDS — Redemption of Bonds — Extraordinary Optional Redemption,” and “— Extraordinary Mandatory Redemption” and “DESCRIPTION OF THE BONDS — Mandatory Tender of Bonds upon Expiration of the Credit Facility.”

Enforcement of Bondholder Remedies; Bankruptcy

The Bond Trustee’s right to enforce payment under the Loan Agreement and Obligation No. 5 under the Master Trust Indenture may be limited by bankruptcy proceedings and equity principles and may be subject to judicial discretion and delay. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by any of the foregoing.

Enforcement of remedies provided in the Trust Agreement with respect to payments to be made by the Bank under the Credit Facility may be limited by insolvency, bankruptcy or other laws relating to creditors’ rights generally. The security provided by the Credit Facility for payment of the principal of and interest on the Bonds, or the purchase price of the Bonds, may be impaired in the event of a deterioration of the financial condition of the Bank, as the Credit Facility represents a general, unsecured claim against the Bank.

Actions of Trustee

Performance by the Bank of its obligations under the Credit Facility is subject to the satisfaction of certain conditions by the Bond Trustee, as set forth in the Credit Facility. Bondholders are thus dependent upon the Bond Trustee acting to satisfy such conditions before they will receive the benefit of the Credit Facility. Furthermore, the question of whether the Bond Trustee has properly satisfied such conditions is a question of fact which, if disputed, could delay or defeat the Bond Trustee’s rights of enforcement of the Credit Facility supporting the Bonds.

Covenant to Maintain Tax-Exempt Status of the Bonds

The Borrower is a not for profit corporation, exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. As such, the Borrower is subject to federal and state laws and regulations concerning its organization and operations. The tax-exempt status of the Bonds is based on the continued compliance by the Agency and the Borrower with certain covenants contained in the Trust Agreement, the Loan Agreement and certain other documents executed by the Agency and the Borrower. These covenants relate generally to restrictions on use of facilities financed with proceeds of the Bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government, restrictions on the amount of issuance costs financed with the proceeds of the Bonds, and the Borrower maintaining its status as a 501(c)(3) organization. Failure to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of Bonds.

Bond Examinations

The Internal Revenue Service (the “IRS”) has recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector with specific review of private use. In addition, the IRS has sent several hundred post-issuance compliance questionnaires to non-profit corporations that have borrowed

on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on bonds issued for their benefit. The questionnaire included, among other things, questions relating to record retention, qualified use of bond-financed property, yield restriction and rebate requirements, and debt management policies.

The IRS has also added a new schedule to IRS Form 990, the form of tax return for 501(c)(3) organizations. This new schedule requests detailed information related to all outstanding bond issues of nonprofit hospitals, including information regarding operating, management and research contracts as well as private use compliance.

Although management of the Borrower believes that its expenditure and investment of bond proceeds, use of property financed with tax-exempt debt and record retention practices have complied and will comply with all applicable laws and regulations, there can be no assurance that the issuance of a questionnaire will not lead to an IRS review that could adversely affect the market value of the Bonds or of other outstanding tax-exempt indebtedness of the Obligated Group. Additionally, the Bonds or other tax-exempt obligations issued for the benefit of the Borrower may be, from time to time, subject to examinations by the IRS. The Borrower believes that the Bonds and other tax-exempt obligations issued for the benefit of the Borrower properly comply with the tax laws. There is no assurance that any IRS examination of the Bonds will not adversely affect the market value of the Bonds. See "TAX EXEMPTION" below.

Impact of Recent Economic Recession and Disruption of Credit Markets

The disruption of the credit and financial markets in the last several years has led to volatility in the securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies, and is a major cause of the recent economic recession. As a direct consequence, the financial condition of the Borrower and its operating results has been materially adversely affected.

In response to that disruption, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Financial Reform Act") was enacted and approved by the President on July 21, 2010. The Financial Reform Act includes broad changes to the existing financial regulatory structure, including the creation of new federal agencies to identify and respond to risks to the financial stability of the United States. Additional legislation is pending or under active consideration by Congress and regulatory action is being considered by various Federal agencies and the Federal Reserve Board and foreign governments, which are intended to increase the regulation of domestic and global credit markets. The effects of the Financial Reform Act and of these legislative, regulatory and other governmental actions, if implemented, are unclear.

The health care sector has been materially adversely affected by these developments. The consequences of these developments have generally included realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets, difficulties in extending existing or obtaining new liquidity facilities, and increased borrowing costs.

The current economic climate has adversely affected the health care sector generally. Patient service revenues and inpatient volumes have not increased as historic trends would otherwise indicate. Until recently, unemployment rates were increasing nationally, which has resulted in increases in self-pay admissions, increased levels of bad debt and uncompensated care, and reduced availability and affordability of health insurance. The economic climate is also increasing stresses on state budgets, potentially resulting in reductions in Medicaid payment rates or Medicaid eligibility standards, and delays of payment of amounts due under Medicaid and other state or local payment programs.

Health Care Reform

In March, 2010, the Patient Protection and Affordable Care Act (the "Health Care Reform Act") was enacted and approved by the President.

Some of the provisions of the Health Care Reform Act took effect immediately, while others will take effect or be phased in over time, ranging from a few months following approval to ten years. Because of the

complexity of the Health Care Reform Act generally, additional legislation is likely to be considered and enacted over time. The Health Care Reform Act will also require the promulgation of substantial regulations with significant effects on the health care industry and third-party payors. In response, third-party payors and suppliers and vendors of goods and services to health care providers are expected to impose new and additional contractual terms and conditions. Thus, the health care industry will be subject to significant new statutory and regulatory requirements and contractual terms and conditions, and consequently subject to structural and operational changes and challenges, for a substantial period of time. The Health Care Reform Act also imposes several additional operational requirements on hospitals that will result in a loss of tax exemption if not satisfied. One such requirement is that, in order to maintain its status as a “charitable organization,” hospitals must meet a “community benefit” standard. Hospitals will not be treated as 501(c)(3) organizations unless they meet requirements relating to community health needs assessments, a financial assistance policy, limits on charges, billing and collection and information reporting requirements.

In May 2011, Vermont bill H.202 was enacted, which enactment has led to the creation of Green Mountain Care, a public/private, single-payer exchange system designed to provide universal health care coverage to Vermont residents and to create an electronic system of medical records. It is uncertain what the impact of such legislation will be on the Borrower.

Vermont State Hospital

In connection with the closing of the Vermont State Hospital due to damage from Tropical Storm Irene, the Borrower accepted the transfer of certain of its patients on an emergency basis from Vermont State Hospital. The Borrower has entered into a contract with the State to provide a limited number of acute care beds for such transferred patients. Certain security enhancements and other upgrades to the Borrower’s facilities will be required in connection with such transferred patients. It is uncertain what the impact of this development will be on the Borrower.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of the Borrower to an extent that cannot be determined at this time:

- (1) Employee strikes, labor shortages and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- (2) Increased costs and decreased availability of liability insurance.
- (3) Cost and availability of energy.
- (4) High interest rates, which could strain cash flow or prevent borrowing for needed capital expenditures.
- (5) An increase in the costs of health care benefits, retirement plans, or other benefit packages offered by the Borrower to their employees.
- (6) Litigation.

THE BONDS ARE BEING OFFERED ON THE BASIS OF THE FINANCIAL STRENGTH OF THE BANK AND NOT ON THE FINANCIAL STRENGTH OF THE BORROWER OR OTHER SECURITY.

TAX EXEMPTION

In the opinion of Sidley Austin LLP, New York, New York, Bond Counsel, under current law and assuming compliance by the Borrower and the Agency with certain requirements of the Code and covenants of the Trust Agreement and the Loan Agreement regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury, if required, interest on the Bonds is not

includable in the gross income of the owners of the Bonds for purposes of federal income taxation. Failure by the Borrower or the Agency to comply with the requirements of the Code and such covenants may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their date of issuance. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Borrower. Such opinion of Bond Counsel with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes may not be relied upon to the extent that such exclusion is adversely affected as a result of any action taken or not taken in reliance upon the opinion or advice of counsel other than Bond Counsel.

Bond Counsel's opinion relies on certain representations made by the Borrower with respect to certain material facts within the knowledge of the Borrower which Bond Counsel has not verified and upon the opinion of McKee, Giuliani & Cleveland, P.C., Montpelier, Vermont, counsel to the Borrower, that the Borrower is an organization described in Section 501(c)(3) of the Code or corresponding provisions of prior law and that, to the best of such counsel's knowledge, the Borrower has done nothing to impair such status and that the use of property financed with the proceeds of the Bonds does not constitute an unrelated trade or business under Section 513(a) of the Code. The tax exemption of interest on the Bonds is dependent upon, among other things, the Borrower's status as a "Section 501(c)(3) organization" and, therefore, the conclusion of Bond Counsel that such interest is excludable from gross income for federal income tax purposes is dependent, in part, upon such opinion of McKee, Giuliani & Cleveland, P.C.

The Act provides that the bonds of the Agency and the income therefrom shall at all times be exempt from taxation in the State of Vermont, except for transfer and estate taxes.

Interest on the Bonds will not be an item of tax preference for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which Sidley Austin LLP renders no opinion, as a result of ownership of such Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income. Interest on the Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability.

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or railroad retirement benefits, taxpayers eligible for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Backup Withholding

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service (the "IRS") as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Future Tax Developments

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income

taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

For example, based on a proposal by the President, the Senate Majority Leader introduced a bill, S. 1549 (the "Proposed Legislation"), which, if enacted, would subject interest on bonds that is otherwise excludable from gross income for federal income tax purposes, including interest on the Bonds, to a tax payable by certain bondholders that are individuals, estates or trusts with adjusted gross income in excess of thresholds specified in the Proposed Legislation in tax years beginning after December 31, 2012. The Proposed Legislation would also provide special rules for such bondholders that are also subject to the alternative minimum tax. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest on the Bonds to a tax or cause interest on the Bonds to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted, in its current form or as it may be amended, or such other legislation on their individual situations.

LEGALITY OF BONDS FOR INVESTMENT

The Act provides that the bonds of the Agency are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees and other fiduciaries in the State may properly and legally invest funds in their control.

STATE NOT LIABLE ON BONDS

The State is not liable for the payment of the principal or purchase price of or premium, if any, or interest on the Bonds, or for the performance of any pledge, obligation or agreement of any kind whatsoever which may be undertaken by the Agency, and neither the Bonds nor any of the Agency's agreements or obligations shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provision whatsoever, nor shall the Bonds directly or indirectly or contingently obligate the State or any municipality or political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

COVENANT BY THE STATE

Under the Act, the State does pledge to and agree with the holders of the Bonds that the State will not limit or alter the rights vested in the Agency until the Bonds, together with interest thereon, with interest on any unpaid installment of interest, and all costs and expenses incurred by the Agency in connection with the facilities or in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged.

RATING

A rating has been requested from Standard & Poor's Ratings Service, a division of Standard & Poor's Financial Services LLC ("S & P") for the Bonds. It is expected that, when issued by S & P, the rating for the Bonds will be "AA-/A-1+," based on the Credit Facility to be issued by the Bank as described herein. A rating, when issued, reflects only an opinion of S & P and is not a recommendation to buy or sell the Bonds. Any explanation of the significance of such rating may only be obtained from the rating agency furnishing the same.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal

of such rating could have an adverse effect on the market price or marketability of the Bonds. Such rating should not be taken as a recommendation to buy or hold the Bonds.

NO LITIGATION

There is not now pending any litigation against the Agency restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members or other officers of the Agency to their respective offices, is being contested. There is no litigation pending against the Agency which in any manner questions the right of the Agency to make the loan to the Borrower contemplated by the Loan Agreement.

The Borrower is not aware of any litigation pending or threatened, to which the Borrower is a party, wherein any unfavorable decision would adversely affect the ability of the Borrower to enter into the Loan Agreement, issue its Obligation Nos. 5 and 6 or carry out its obligations thereunder.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of legality by Sidley Austin LLP, New York, New York. Copies of such opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Agency by its counsel, Deppman & Foley, P.C., Middlebury, Vermont, for the Bank by its counsel, Murphy Sullivan Kronk; for the Borrower by its counsel, McKee, Giuliani & Cleveland, P.C., Montpelier, Vermont; and for the Underwriter by its counsel, Burak Anderson & Melloni, PLC, Burlington, Vermont.

INDEPENDENT ACCOUNTANTS

The financial statements of the Borrower for the fiscal years ended December 31, 2010 and December 31, 2009 are included in Appendix B to this Official Statement. The financial statements have been audited by Berry, Dunn, McNeil & Parker, LLC, independent certified public accountants, to the extent and for the periods indicated in their reports, which appear in Appendix B.

FINANCIAL ADVISORS

Public Financial Management, Inc., Boston, Massachusetts, served as financial advisor to the Agency in this transaction, and Bittel Financial Advisors, LLC, Swanzey, New Hampshire, served as financial advisor to the Borrower.

UNDERWRITING

Subject to the terms and conditions of the Bond Purchase Agreement described below, the Agency has agreed to sell to the Underwriter, and the Underwriter has agreed to purchase from the Agency, the Bonds. The Underwriter is an affiliate of TD Bank, N.A., the provider of the initial Credit Facility.

The Underwriter will agree to purchase the Bonds from the Agency pursuant to a bond purchase agreement by and among the Agency, the Borrower and the Underwriter at a purchase price equal to the par amount of the Bonds, less an underwriter's discount of \$40,000. The Underwriter will purchase all Bonds if any are purchased. The Underwriter initially intends to offer the Bonds to the public at the prices shown on the cover page.

The Borrower has agreed to indemnify the Underwriter and the Agency with respect to certain information contained in this Official Statement.

REMARKETING AGENT

The Remarketing Agent is Paid by the Borrower

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing any tendered Bonds (subject, in each case, to the terms of the Trust Agreement and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the Agency and the Borrower and is paid by the Borrower for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

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

The Ability to Sell the Bonds Other Than Through the Tender Process May Be Limited

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

The Remarketing Agent May Resign, Without a Successor Being Named

The Remarketing Agent may resign, upon 45 days' prior written notice, without a successor having been named.

The Initial Remarketing Agent is an Affiliate of the Bank

The initial remarketing agent is an affiliate of the Bank, the provider of the initial Credit Facility. Each of the Remarketing Agent and the Bank is an indirect wholly-owned subsidiary of The Toronto-Dominion Bank ("TD"). See Appendix C for more information about the Bank and TD.

CONTINUING DISCLOSURE

The Agency

No financial or operating data concerning the Agency is material to any decision to purchase, hold or sell the Bonds. Consequently, the Agency has not and will not provide any such information. The Borrower has undertaken all responsibility for any continuing disclosure to owners of the Bonds as described below, and the Agency shall not have any liability to the owners or any other person with respect to such disclosure.

The Borrower

In the Loan Agreement, the Borrower has undertaken, for the benefit of the beneficial owners of the Bonds, to file with the Municipal Securities Rulemaking Board ("MSRB") via its Electronic Municipal Market Access system:

(a) within 120 days after the end of each of its fiscal years, beginning after its 2011 fiscal year, core financial information for the prior fiscal year, including (i) the Borrower's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material financial information and operating data concerning the Corporation of the type generally found in Appendix A;

(b) in a timely manner, not in excess of ten business days after the occurrence thereof, notice of any of the following events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Borrower or any other Member of the Obligated Group;

(13) the consummation of a merger, consolidation, or acquisition involving the Borrower or any other Member of the Obligated Group or the sale of all or substantially all of the assets of the Borrower or any other Member of the Obligated Group, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) the appointment of a successor or additional trustee or the change of name of a trustee, if material.

(c) in a timely manner, to the MSRB, notice of a failure of the Borrower to provide required annual financial information described in (a) above on or before the date specified.

Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Market Access (EMMA) system, the current Internet address of which is www.emma.msrb.org. All notices, documents and information provided to the MSRB shall be provided in an electronic format prescribed by the MSRB (currently, portable document format (pdf), which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

No beneficial owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the disclosure covenant described above (the "Disclosure Covenant") or for any remedy for breach thereof, unless such owner shall have filed with the Borrower written notice of and request to cure such breach, and the Borrower shall have refused to comply within a reasonable time. All Proceedings shall be for the equal benefit of all beneficial owners of the outstanding Bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the Disclosure Covenant at issue. Notwithstanding the foregoing, no challenge to the adequacy of the information provided in accordance with the filings described above may be prosecuted by any beneficial owner except in compliance with the remedial and enforcement provisions of the Loan Agreement.

Any amendment to the Disclosure Covenant may only take effect if:

(1) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Borrower, or type of business conducted; the Disclosure Covenant, as amended, would have complied with the requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC") at the time of issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of beneficial owners, as determined by parties unaffiliated with the Borrower or the Agency; or

(2) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the Closing, ceases to be in effect for any reason, and the Borrower elects that the Disclosure Covenant shall be deemed amended accordingly.

In the case of any amendment, the annual financial information containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request for enforcement of the Disclosure Covenant.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Bonds.

Failure by the Borrower to comply with the Disclosure Covenant must be reported in accordance with Rule 15c2-12 and must be considered by any broker, dealer or municipal securities dealer before recommending the

purchase or sale of the Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In connection with the issuance of its variable rate demand 2007 Taxable Bonds and the remarketing of the 2007 Taxable Bonds, the Borrower entered into a continuing disclosure undertaking to provide copies its annual financial statements and certain other information. As such bonds were not "municipal securities," the Borrower was not able to submit any continuing disclosure to the MSRB through EMMA. The Borrower did provide to the remarketing agent of such 2007 Taxable Bonds the information that the remarketing agent requested from the Borrower in connection with the remarketing of such 2007 Taxable Bonds and to any bondholder of such 2007 Taxable Bonds upon request.

OTHER MATTERS

The foregoing summaries and explanations do not purport to be comprehensive and are expressly made subject to the exact provisions of documents referred to herein. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The agreement of the Agency with the holders of the Bonds is fully set forth in the Trust Agreement, and this Official Statement is not to be construed as constituting an agreement with the purchasers of the Bonds. Except as set forth above under the heading "CONTINUING DISCLOSURE," the Borrower has not committed to provide information on an ongoing basis concerning the Borrower.

The Borrower has reviewed the information contained herein that relates to it, its plan of financing and the Project, and has approved all such information for use in this Official Statement.

The execution and delivery of this Official Statement have been duly authorized by the Agency.

This Official Statement is in a form "Deemed Final" by the Agency for the purpose of Securities and Exchange Commission Rule 15c2-12.

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

By: /s/ Robert Giroux
Executive Director

Approved:

THE BRATTLEBORO RETREAT

By: /s/ John E. Blaha
Senior Vice President
& Chief Financial Officer

APPENDIX A THE BRATTLEBORO RETREAT

Introduction

The Brattleboro Retreat (referred to herein as “Brattleboro Retreat” or the “Borrower”), founded in 1834, is a private, not-for-profit, regional specialty mental health and addictions treatment center, providing a full range of diagnostic, therapeutic and rehabilitation services for individuals of all ages and their families. Nationally recognized for its treatment in behavioral healthcare, Brattleboro Retreat offers a high quality, individualized, comprehensive continuum of care including inpatient, partial hospitalization, child and adolescent residential, and outpatient treatment.

In addition to its hospital services for children, adolescents and adults, Brattleboro Retreat offers:

- The Anna Marsh Behavioral Care Outpatient Clinic
- The Meadows Educational Center, an onsite, Vermont Department of Education accredited K-12 School
- BRIDGES-clinical educational alternative for at-risk Adolescents
- Starting Now, an intensive Outpatient day and evening addictions treatment program for Adults
- Abigail Rockwell Residential Center for Children ages 6-13
- Residential care for Adolescents
- PrimariLink, a Managed Service Organization providing mental health care utilization management services
- An extensive Continuing Education Program for mental health professionals
- The Mulberry Bush Early Learning Center

Brattleboro Retreat treats a comprehensive spectrum of disorders, including:

- Eating Disorders
- Mood Disorders
- Conduct Disorders
- Obsessive - Compulsive Disorders
- Severe Depression
- Anxiety Disorders
- Post Traumatic Stress Disorders
- Personality Disorders
- Addictions/Chemical Dependency

A member of the Ivy League Hospitals network, Brattleboro Retreat is accredited by the Joint Commission. Brattleboro Retreat offers among the highest ratios of clinical staff to patients, one of the region’s most extensive staff of psychiatric professionals as well as a wide range of contemporary treatment modalities. As of September 2011, 424 of its 555 employees work under a collective bargaining agreement.

Brattleboro Retreat serves as a practicum site for numerous college and university programs, including Smith College School of Social Work, the Universities of Massachusetts and Connecticut, and Antioch New England.

Governance and Administration

The following are the current members of the Board of Trustees:

Board of Trustees

Peter Sherlock
President, Sherlock Investment
Board Chair

Bette Abrams, M.Ed.
Chair, Development Committee

Mary Faucher, Esq.
Board Member

William Knorr, MD
ex officio, (non-voting)

Jeffrey J. Morse
Treasurer & Chair of Finance Committee

Tammy Richards, AVA, CMAP
Board Member

Michael Sarsynski, MBA, CFP
Board Member, Finance & Development Committees

Robert E. Simpson, DSW, MPH
ex-officio (voting)

Tonia Wheeler
Board Member

Patricia O'Donnell
Board Member

There is currently one opening on the Board.

Administration

Dr. Robert E. Simpson, Jr., MPH, DSW – President and Chief Executive Officer

Dr. Rob Simpson was named President and Chief Executive Officer of the Brattleboro Retreat in 2006. He is a graduate of Amherst College, Simmons College (MSW), Harvard University (MPH) and the University of Utah where he earned a doctorate in Social Work.

Prior to joining Brattleboro Retreat, Dr. Simpson served as CEO of Arbour Hospital, a member of the Universal Health Services, Inc., in Boston. In earlier executive management positions, he served as Chief Operating Officer of Behavioral Healthcare and Sr. Vice President of Government Relations at the Sisters of Providence Health System, and Vice President of Behavioral Health and Cancer Services at Baystate Health System in Springfield, Massachusetts.

Dr. Varen O'Keefe-Domaleski, MSN, Ed.D, CNA, BC - Senior Vice President Patient Care & Chief Nursing Officer

Dr. Varen O'Keefe-Domaleski joined the Brattleboro Retreat in August 2007. Before joining the Brattleboro, she served as Vice President and Chief Nursing officer at Sheppard Pratt Health System in Baltimore, MD. She has also served as an adjunct faculty member at both the University of New Hampshire and at Dartmouth College.

Dr. O'Keefe-Domaleski received her nursing degree from Massachusetts General Hospital, her bachelor of science in Nursing from Worcester State College, her master's degree in Administration of Nursing Services from the University of Lowell and her doctorate in Education from George Washington University.

John E. Blaha, MBA - Senior Vice President & Chief Financial Officer

John E. Blaha joined the Brattleboro Retreat in 2004 as Vice President and Chief Financial Officer and was named Senior Vice President of Finance & Chief Financial Officer in 2010. From 1998 to 2004, John served as the Chief Financial Officer and Treasurer for a Massachusetts based company that provides biomedical equipment maintenance, repairs and consulting to healthcare organizations. Prior to that, he served as Chief Financial Officer for Behavioral Healthcare Systems in New Hampshire and Wisconsin.

John has a BBA in Accounting and an MBA in Healthcare Administration. He is also an advanced member of the Healthcare Financial Management Association, a member of the American College of Healthcare Executives

and a member of the Board of Directors for the Brattleboro Area Chamber of Commerce and the New England Regional Healthcare Cooperative.

Peter Albert, LICSW - Senior Vice President Government Relations & Managed Service Organization

Peter Albert, LICSW, has been with the Brattleboro Retreat since 1978. He currently serves as Senior Vice President Government Relations & Managed Service Organization. During the past thirty-two years he has held multiple positions at the Brattleboro Retreat including Clinical Director of Adolescent Services, Director of Access and Evaluation, Utilization Management and Administrator of Adult Services. Mr. Albert currently oversees PrimariLink, the Retreat's managed service organization.

Sharon Chaput, RN, CSHA - Director of Quality & Regulatory Services

Sharon Chaput, RN, CSHA, joined the Brattleboro Retreat in April 2008. She is a registered nurse and has held positions as a nurse manager, program director, executive director, and most recently as the Director of Regulatory and Accreditation Compliance for Providence Behavioral Health Hospital in Holyoke, MA.

Sharon has served on the advisory board for HCP and assisted in developing the national Certification for Accreditation Health Professionals (CSHA) examination. She has also provided consultative services for hospitals on Joint Commission survey readiness.

Frederick "Fritz" Engstrom, MD - Medical Director

Dr. Engstrom received his medical degree from the University of Rochester. He is board certified in general psychiatry, and his expertise includes evaluating and treating people who require medication for problems including depression, anxiety, bipolar disorder and attention deficit hyperactivity disorder (ADHD). Dr. Engstrom is the author of the book *Movie Clips for Creative Mental Health Education*. Dr. Engstrom is a Distinguished Life Fellow of the American Psychiatric Association.

Utilization and Payor Mix

Summary of Historic Utilization

Set forth below is a summary of the historic utilization of the Brattleboro Retreat for the past three years:

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Inpatient Care			
Discharges	2,109	2,373	2,939
Days of Care			
Inpatient	21,643	22,849	27,814
Residential	12,114	11,748	11,565
Length of Stay	10.4	9.7	9.5
Outpatient Care			
Visits	15,879	16,551	16,142

Payor Mix

Set forth below is a summary of the source of patient revenues, as a percent of gross revenues, for the past three fiscal years:

	FY 2008	FY 2009	FY 2010
Medicare	17%	18%	17%
Medicaid	57	57	46
Blue Cross	8	7	13
Self-pay	10	9	1
Commercial	7	8	21
Managed Care	1	1	2

The audited financial statements of the Borrower for the years ended December 31, 2010 and December 31, 2009 are set forth in APPENDIX B hereto.

Employees

Members of the Borrower's nursing staff are represented by the United Nurses Allied Professionals Union. The union contract expired in 2010. The parties entered into a Memorandum of Understanding to extend the term to October 15, 2012 but allowed for the contract to be reopened following enactment of national health care reform.

Insurance

Commercial property insurance coverage is provided by Peerless Insurance through insurance brokers Richard, Group and includes all buildings along with combined business income, personal property, equipment breakdown, ordinance, pollutant clean up and removal, electronic data processing, commercial general liability, employee benefits liability, commercial crime, business auto, and a commercial umbrella. Professional liability insurance is provided by Medical Mutual of Maine.

Outstanding Indebtedness of the Brattleboro Retreat

The Brattleboro Retreat, as of fiscal year ended December 31, 2010, had long-term debt totaling approximately \$7.4 million. As of September 30, 2011, the Borrower had approximately \$7.2 million of long-term debt outstanding.

Liquidity and Investments

Brattleboro Retreat's unrestricted cash and investments were at approximately \$10.6 million at the end of the 2010 fiscal year, a decline of approximately 9.8% from the 2007 fiscal year. The Borrower expects this figure to increase to approximately \$11.5 million as of the end of the 2011 fiscal year. The ratio of unrestricted cash and investments-to-debt declined steadily from the 2007 to 2009 fiscal years due to increasing debt levels and declining unrestricted cash and investment balances. In the 2010 fiscal year, this ratio recovered due to improved cash and investments balances and increased from approximately 1.21x in the 2009 fiscal year to approximately 1.42x in the 2010 fiscal year.

Litigation

There is no litigation pending or known claims likely to be threatened against the Borrower which could be expected to have a material adverse effect on the Borrower's financial position.

Historic Financial Performance

The following summary balance sheets of the Borrower as of September 30, 2011 and December 31, 2010, the related summary statements of operations for the nine months ended September 30, 2011 and September 30, 2010, and the summary of changes in net assets for the nine months ended September 30, 2011 were derived from the unaudited financial statements of the Borrower prepared by management. In the opinion of management, such unaudited summary financial statements include all the adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the information shown therein.

From 2007 through 2009, as part of its 3-year strategic planning initiative, management of Brattleboro Retreat focused on strengthening its financial operations by: improving its core care delivery model, implementing and training staff in a system wide performance improvement process, restructuring its Admitting Department, providing staff with more education and safety training, and re-establishing relations with the State of Vermont. A major focus also centered on market perceptions of the Brattleboro Retreat, re-establishing its brand, improving customer service, identifying and creating new services, and renovating/remodeling areas on its campus.

During the Fall of 2009, Brattleboro Retreat reached a point whereby its admissions and census improved and profitability has remained consistent since then. In 2010, Brattleboro Retreat increased admissions by approximately 24% and inpatient census by 22% over 2009 levels. Through the first nine months of 2011, admissions and inpatient census are approximately 6% and 5%, respectively, higher than at the same period in 2010. In 2009, Brattleboro Retreat started two new services (Lesbian, Gay, Bisexual, Transgender (LGBT) inpatient program and Uniformed Services Program (USP) for police, firefighters, active military personnel and veterans) and it plans to add an additional service in 2012 (for Young Adults).

For the first half of 2010, Brattleboro Retreat was hesitant to permanently increase staffing on the units until it was certain that the increase in admissions and census was going to continue. In 2011, as Brattleboro Retreat continued its growth and in order to address patient and staff safety, it added approximately 45 full time staff. This is expected to result in a lower operating margin in 2011.

BRATTLEBORO RETREAT
Balance Sheets
September 30, 2011 and December 31, 2010
(in \$ thousands)

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash	\$ 15	\$ 68
Assets limited as to use, current portion	131	170
Accounts receivable, net of allowances of \$1,300 and \$1,013, respectively	6,105	5,993
Supplies	125	125
Prepaid Expenses	<u>262</u>	<u>261</u>
Total Current Assets	6,638	6,617
Assets limited as to use, net of current portion	11,705	10,354
Property and equipment, net	8,007	7,768
Cash surrender value of insurance policies and annuity contracts	613	669
Other assets	<u>135</u>	<u>146</u>
	<u><u>\$ 27,098</u></u>	<u><u>\$ 25,554</u></u>

LIABILITIES and NET ASSETS

Current Liabilities:		
Bank overdrafts	\$ 435	\$ 407
Line of credit	213	558
Current portion of long term debt	218	210
Accounts Payable and Accrued Expenses	872	1,305
Accrued salaries and related amounts	3,001	2,010
Due to third party payors	485	750
Current portion of deferred compensation obligation	<u>32</u>	<u>67</u>
Total Current Liabilities	5,256	5,307
Deferred Compensation	152	152
Long-term debt, including leases	<u>6,986</u>	<u>7,193</u>
Total Liabilities	<u>12,394</u>	<u>12,652</u>
Net Assets:		
Unrestricted	14,660	12,849
Temporary Restricted	<u>44</u>	<u>53</u>
Total Net Assets	<u>14,704</u>	<u>12,902</u>
	<u><u>\$ 27,098</u></u>	<u><u>\$ 25,554</u></u>

BRATTLEBORO RETREAT
Statements of Operations
Nine Months Ended September 30, 2011 and 2010
(in \$ thousands)

	<u>2011</u>	<u>2010</u>
Unrestricted revenues, gains, and other support:		
Net patient service revenue	\$ 34,324	\$ 31,373
Grant revenue	188	139
Other revenues	1,695	1,203
Total unrestricted revenues, gains, and other support	<u>36,216</u>	<u>32,715</u>
Expenses:		
Operating expenses	32,558	28,600
Depreciation and amortization	1,018	1,005
Provision for bad debts	1,068	841
Interest expense	<u>139</u>	<u>130</u>
Total expenses	<u>34,783</u>	<u>30,576</u>
Income from operations	<u>1,433</u>	<u>2,139</u>
Other income:		
Investment income	269	269
Net realized gains (losses) on the sales of investments	<u>(30)</u>	<u>128</u>
Total other income	<u>239</u>	<u>397</u>
Excess of revenues, gains, and other support over expenses and losses	1,672	2,536
Change in net unrealized gains on investments	139	176
Net assets released from restriction for property and equipment	<u>9</u>	<u>12</u>
Increase in unrestricted net assets	<u>\$ 1,811</u>	<u>\$ 2,724</u>

BRATTLEBORO RETREAT
Statement of Changes in Net Assets
Nine Months Ended September 30, 2011
(in \$ thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balances, December 31, 2010	\$ 12,849	\$ 53	\$ 12,902
Excess of revenues, gains, and other support over expenses and losses	1,663	-	1,673
Change in net unrealized gains on investments	139	-	139
Net assets released from restriction for property and equipment	<u>9</u>	<u>(9)</u>	<u>-</u>
Change in net assets	<u>1,811</u>	<u>(9)</u>	<u>1,802</u>
Balances, September 30, 2011	<u>\$ 14,660</u>	<u>\$ 44</u>	<u>\$ 14,704</u>

Investments and Indebtedness
For Year Ended December 31, 2010 and Nine Month Period Ending September 30, 2011
(in \$ thousands)

	<u>09/30/11</u>	<u>12/31/10</u>
Investments		
Cash and short-term investments	\$ 1,521	\$ 828
Corporate bonds	5,075	5,598
U.S. Treasury securities and other government securities	5,240	4,098
	<u>\$ 11,836</u>	<u>\$ 10,524</u>
 Indebtedness		
VEHBFA Series 2007A Variable Rate Demand Bond ¹	\$ 2,315	\$ 2,485
Variable Rate Taxable Bond ²	4,835	4,835
Various Capital Leases	54	84
	<u>\$ 7,204</u>	<u>\$ 7,404</u>
Less Current Portion	218	210
Long-term debt, excluding current portion	<u>\$ 6,986</u>	<u>\$ 7,194</u>

¹ Expected to be refunded with the proceeds of the Bonds.

² Expected to be refinanced with a taxable loan contemporaneously with the issuance of the Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE BORROWER
FOR THE YEARS ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009

[THIS PAGE INTENTIONALLY LEFT BLANK]



Brattleboro Retreat

FINANCIAL STATEMENTS

December 31, 2010 and 2009

With Independent Auditors' Report

BERRY.DUNN.MCNEIL & PARKER

B | D | M | P

**CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS**

[THIS PAGE INTENTIONALLY LEFT BLANK]



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Brattleboro Retreat

We have audited the accompanying balance sheets of Brattleboro Retreat (Retreat) as of December 31, 2010 and 2009, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Retreat's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brattleboro Retreat as of December 31, 2010 and 2009, and the results of its operations, changes in its net assets, and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Berry, Dunn, McNeil & Parker

Portland, Maine
April 1, 2011
Registration No. 92-0000278

BRATTLEBORO RETREAT

Balance Sheets

December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current assets		
Cash	\$ 67,639	\$ 59,762
Assets limited as to use	170,000	160,000
Accounts receivable, net of allowance for uncollectible accounts of \$1,013,366 in 2010 and \$750,854 in 2009	5,993,366	4,763,937
Supplies	124,789	115,586
Prepaid expenses	<u>260,622</u>	<u>177,267</u>
Total current assets	6,616,416	5,276,552
Assets limited as to use, net of current portion	10,354,393	9,191,252
Property and equipment, net	7,767,638	8,061,863
Cash surrender value of life insurance policies and annuity contracts	669,067	652,751
Other assets	<u>145,717</u>	<u>160,380</u>
 Total assets	 <u><u>\$25,553,231</u></u>	 <u><u>\$23,342,798</u></u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current liabilities		
Bank overdraft	\$ 406,511	\$ 337,697
Line of credit	557,598	1,277,482
Current portion of long-term debt	210,093	225,694
Accounts payable and accrued expenses	1,305,294	818,926
Accrued salaries and related amounts	2,009,660	2,034,785
Due to third-party payors	749,601	742,589
Current portion of deferred compensation obligation	<u>66,631</u>	<u>81,631</u>
Total current liabilities	5,305,388	5,518,804
Deferred compensation obligation, excluding current portion	152,142	191,869
Long-term debt, excluding current portion	<u>7,193,585</u>	<u>7,403,697</u>
Total liabilities	12,651,115	13,114,370
Commitments and contingencies (Notes 5 and 9)		
Unrestricted net assets	12,849,453	10,184,457
Temporarily restricted net assets	<u>52,663</u>	<u>43,971</u>
Total net assets	<u>12,902,116</u>	<u>10,228,428</u>
Total liabilities and net assets	<u>\$25,553,231</u>	<u>\$23,342,798</u>

BRATTLEBORO RETREAT

Statements of Operations

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted revenues, gains, and other support		
Net patient service revenue	\$42,560,301	\$35,931,725
Grant revenue	169,332	290,876
Other revenues	1,800,463	1,708,435
Net assets released from restrictions for operations	<u>28,349</u>	<u>-</u>
Total unrestricted revenues, gains, and other support	<u>44,558,445</u>	<u>37,931,036</u>
Expenses		
Operating expenses	39,711,000	37,597,733
Depreciation and amortization	1,338,892	1,314,590
Provision for bad debts	1,141,434	716,891
Interest expense	<u>159,964</u>	<u>187,604</u>
Total expenses	<u>42,351,290</u>	<u>39,816,818</u>
Income (loss) from operations	<u>2,207,155</u>	<u>(1,885,782)</u>
Other income		
Investment income	367,676	421,829
Net realized gains (losses) on the sales of investments	<u>157,537</u>	<u>(26,792)</u>
Total other income	<u>525,213</u>	<u>395,037</u>
Excess (deficiency) of revenues, gains, and other support over expenses and losses	2,732,368	(1,490,745)
Change in net unrealized gains on investments	(79,479)	75,551
Net assets released from restriction for property and equipment	<u>12,107</u>	<u>-</u>
Increase (decrease) in unrestricted net assets	<u>\$ 2,664,996</u>	<u>\$ (1,415,194)</u>

The accompanying notes are an integral part of these financial statements.

BRATTLEBORO RETREAT

Statements of Changes in Net Assets

Years Ended December 31, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balances, January 1, 2009	\$ <u>11,599,651</u>	\$ <u> -</u>	\$ <u>11,599,651</u>
Deficiency of revenues, gains, and other support over expenses and losses	(1,490,745)	-	(1,490,745)
Change in net unrealized gains on investments	75,551	-	75,551
Restricted contributions	<u> -</u>	<u>43,971</u>	<u>43,971</u>
Change in net assets	<u>(1,415,194)</u>	<u>43,971</u>	<u>(1,371,223)</u>
Balances, December 31, 2009	<u>10,184,457</u>	<u>43,971</u>	<u>10,228,428</u>
Excess of revenues, gains, and other support over expenses and losses	2,732,368	-	2,732,368
Change in net unrealized gains on investments	(79,479)	-	(79,479)
Restricted contributions	-	49,148	49,148
Net assets released from restrictions for operations	-	(28,349)	(28,349)
Net assets released from restriction for property and equipment	<u>12,107</u>	<u>(12,107)</u>	<u> -</u>
Change in net assets	<u>2,664,996</u>	<u>8,692</u>	<u>2,673,688</u>
Balances, December 31, 2010	\$ <u>12,849,453</u>	\$ <u>52,663</u>	\$ <u>12,902,116</u>

The accompanying notes are an integral part of these financial statements.

BRATTLEBORO RETREAT

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 2,673,688	\$ (1,371,223)
Adjustments to reconcile the change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	1,338,892	1,314,590
Provision for bad debts	1,141,434	716,891
Net realized and unrealized gains on investments	(78,058)	(48,759)
Restricted contributions	(49,148)	(43,971)
(Increase) decrease in		
Accounts receivable	(2,370,863)	(76,035)
Supplies	(9,203)	(11,635)
Prepaid expenses	(83,355)	52,863
Cash surrender value of life insurance policies and annuity contracts	(16,316)	10,911
Increase (decrease) in		
Accounts payable and accrued expenses	486,368	(685,978)
Accrued salaries and related amounts	(25,125)	177,864
Due to third-party payors	7,012	(88,000)
Deferred compensation obligation	<u>(54,727)</u>	<u>(59,659)</u>
Net cash provided (used) by operating activities	<u>2,960,599</u>	<u>(112,141)</u>
Cash flows from investing activities		
Purchases of property and equipment	(1,030,004)	(1,624,514)
Proceeds from sales of investments	12,108,819	13,373,470
Purchases of investments	<u>(13,203,902)</u>	<u>(11,091,973)</u>
Net cash provided (used) by investing activities	<u>(2,125,087)</u>	<u>656,983</u>
Cash flows from financing activities		
Increase (decrease) in bank overdraft	68,814	(189,845)
Payments on long-term debt	(225,713)	(233,501)
Net payments on line of credit	(719,884)	(164,018)
Restricted contributions	<u>49,148</u>	<u>43,971</u>
Net cash used by financing activities	<u>(827,635)</u>	<u>(543,393)</u>
Net increase in cash	7,877	1,449
Cash, beginning of year	<u>59,762</u>	<u>58,313</u>
Cash, end of year	\$ <u>67,639</u>	\$ <u>59,762</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 162,480	\$ 193,748

The accompanying notes are an integral part of these financial statements.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

Organization and Description of Business

Brattleboro Retreat (Retreat), a not-for-profit corporation, is principally a facility for the treatment of psychiatric illness and drug and alcohol dependency. The Retreat also offers educational programs to school-age children receiving rehabilitative care.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in the excess (deficiency) of revenues, gains, and other support over expenses and losses unless the income or loss is restricted by donor or law. Unrealized gains and temporary unrealized losses on investments are excluded from the excess (deficiency) of revenues, gains, and other support over expenses and losses.

Supplies

Supplies are stated at the lower of cost (determined by the first-in, first-out method) or market.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

Assets Limited as to Use

Assets limited as to use consist of assets held by a trustee under an indenture agreement and funds set aside by the Board of Trustees (the Board) for capital improvements, over which the Board retains control and may, at its discretion, use for other purposes such as short-term operating needs.

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value determined at the date of donation. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Bond Issuance Costs

The costs incurred to obtain long-term financing are being amortized over the life of the bonds using the straight-line method. The costs are included in other assets. Accumulated amortization at December 31, 2010 and 2009, was \$51,331 and \$36,668, respectively.

Net Assets

Funds used for operating purposes have been classified as and are a component of unrestricted net assets in the accompanying balance sheets. Temporarily and permanently restricted net assets are those whose use by the Retreat has been limited by donors to a specific time period or purpose. There were no permanently restricted net assets as of December 31, 2010 and 2009.

Net Patient Service Revenue

The Retreat has agreements with third-party payors that provide for payments to the Retreat at amounts different from its established rates. Payment arrangements include prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

Charity Care

The Retreat provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Retreat does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed

The Retreat reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed are reported at the lower of carrying amounts or fair value, less cost to sell. The Retreat evaluates the recoverability of the carrying amounts of long-lived assets based on estimated cash flows to be generated by each of such assets as compared to the original estimates used in measuring such assets. To the extent impairment is identified, the Retreat would reduce the carrying value of such assets. To date, the Retreat has not experienced any such impairments.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Retreat are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Functional Expenses

The Retreat provides specialized health care services to residents within its geographic location. Expenses related to providing these services were as follows for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Health care services	\$ 34,783,269	\$ 32,544,971
General and administrative	<u>7,568,021</u>	<u>7,271,847</u>
	<u>\$ 42,351,290</u>	<u>\$ 39,816,818</u>

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

Income Taxes

The Retreat is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code), and is exempt from federal income taxes on related income.

Reclassifications

Certain amounts in the 2009 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Retreat has considered transactions or events occurring through April 1, 2011, which was the date the financial statements were issued.

2. Charity Care

The Retreat maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended December 31:

	<u>2010</u>	<u>2009</u>
Charges foregone, based on established rates	\$ <u>200,000</u>	\$ <u>270,000</u>
Estimated costs incurred to provide charity care	\$ <u>89,000</u>	\$ <u>138,000</u>
Equivalent percentage of charity care services to all services	<u>0.21</u> %	<u>0.35</u> %

3. Net Patient Service Revenue

The Retreat has agreements with third-party payors that provide for payments to the Retreat at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

Medicare

Inpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon a patient classification system. Outpatient services rendered to Medicare beneficiaries are paid at prospectively determined rates. These rates vary according to an ambulatory payment classification system that is based on clinical, diagnostic, and other factors. Amounts not paid by Medicare beneficiaries are reimbursed through annual cost reports. As of December 31, 2010, final settlement has been made by Medicare for all years through 2008.

Medicaid

Services rendered to Medicaid program beneficiaries are paid under prospectively determined rates and fee schedules.

Revenue from the Medicare and Medicaid programs accounted for approximately 17% and 46%, respectively, of the Retreat's patient revenue for the year ended December 31, 2010, and 16% and 49%, respectively, of the Retreat's patient revenue for the year ended December 31, 2009. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2010 and 2009 net patient service revenue decreased approximately \$131,000 and \$1,600, respectively, due to retroactive adjustments in excess of amounts previously estimated.

Other Payors

The Retreat has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Retreat under these agreements includes prospectively determined daily rates and discounts from established rates.

Patient service revenue, contractual, and other allowances consisted of the following for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Gross patient service revenue	<u>\$94,700,145</u>	<u>\$78,091,700</u>
Less Medicare and Medicaid allowances	36,491,894	30,344,627
Less other contractual allowances	15,448,468	11,545,170
Less charity care and other discounts	<u>199,482</u>	<u>270,178</u>
	<u>52,139,844</u>	<u>42,159,975</u>
Net patient service revenue	<u>\$42,560,301</u>	<u>\$35,931,725</u>

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

4. Assets Limited as to Use

The composition of assets limited at to use, including the current portion, at December 31, 2010 and 2009, is set forth in the following table. Investments are stated at fair value.

	<u>2010</u>	<u>2009</u>
Cash and short-term investments	\$ 827,640	\$ 805,062
Corporate bonds	5,598,430	4,838,144
U.S. Treasury securities and other government securities	<u>4,098,323</u>	<u>3,708,046</u>
	<u>\$10,524,393</u>	<u>\$ 9,351,252</u>

5. Property and Equipment

A summary of property and equipment follows:

	<u>2010</u>	<u>2009</u>
Land and land improvements	\$ 1,604,787	\$ 1,542,387
Buildings and improvements	24,622,361	24,296,861
Fixed equipment	1,125,993	1,110,471
Major moveable equipment	<u>5,148,667</u>	<u>5,077,284</u>
	32,501,808	32,027,003
Less accumulated depreciation and amortization	<u>24,901,347</u>	<u>23,965,140</u>
	7,600,461	8,061,863
Construction in progress	<u>167,177</u>	-
	<u>\$ 7,767,638</u>	<u>\$ 8,061,863</u>

Depreciation expense for the years ended December 31, 2010 and 2009, was \$1,324,229 and \$1,299,928, respectively.

The Retreat leases certain equipment under capital leases that expire through 2012. Included in property and equipment is \$280,661 and \$372,531 of cost and \$204,976 and \$169,107 of accumulated depreciation as of December 31, 2010 and 2009, respectively, related to assets held under capital lease arrangements.

During 2010 the Retreat began a project expected to total \$250,000 for building renovations, of which \$167,177 has been incurred as of December 31, 2010. This project will be completed during 2011 and is being funded from operations.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

6. Long-Term Debt

Long-term debt consisted of the following as of December 31:

	<u>2010</u>	<u>2009</u>
Vermont Educational and Health Buildings Financing Agency (VEHBFA), 2007 Series A, variable rate demand revenue bonds (0.43% at December 31, 2010), payable in varying amounts of principal and interest through January 2022, principal payments range from \$170,000 in 2011 to \$250,000 in 2022.	\$ 2,485,000	\$ 2,645,000
The Brattleboro Retreat Variable Rate Demand Taxable Bonds Series 2007 (0.34% at December 31, 2010), payable in varying amounts of principal and interest through January 2036, principal payments range from \$240,000 in 2023 to \$470,000 in 2036.	4,835,000	4,835,000
Various capital leases, bearing interest at fixed rates ranging from 6.68% to 9.91%, maturing through October 2012; collateralized by equipment.	<u>83,678</u>	<u>149,391</u>
	7,403,678	7,629,391
Less current portion	<u>210,093</u>	<u>225,694</u>
Long-term debt, excluding current portion	<u>\$ 7,193,585</u>	<u>\$ 7,403,697</u>

VEHBFA Demand Revenue Bonds (The Brattleboro Retreat Project) 2007 Series A in the amount of \$2,800,000 and the Brattleboro Retreat Demand Taxable Bonds 2007 Series in the amount of \$4,835,000 were issued in May 2007. Interest on the Bonds is based on available weekly rates as determined by the remarketing agents based on prevailing market conditions, not to exceed 10% and 15% per annum, respectively. The Retreat may at any time exercise an option to convert to a fixed rate. No conversion will be effective unless all Bonds have been remarketed and sold. The Retreat may prepay certain of the Bonds according to the terms of the loan and trust agreements. The Bonds are collateralized by the gross receipts and equipment of the Retreat and letter of credit agreements. The Bonds were issued to refund the Series 1997-2 bonds and repay other existing debt.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

While interest on the Bonds accrues on a weekly variable rate, the Hospital is required to maintain credit facilities in amounts not less than the principal amount of each outstanding Bond plus accrued interest for 35 days at their respective maximum interest rates noted above. To comply with this requirement, the Retreat has obtained two irrevocable direct pay letters of credit from TD Bank (the Bank) in the amounts of \$2,508,829 and \$4,904,545, respectively. The letters of credit expire on June 1, 2011 and can be extended for an additional year on each annual anniversary. They are collateralized by a pledge agreement of the investments of the Retreat. The Retreat is required to pay the Bank quarterly fees at the rate of .75% per annum of the daily average amount available of the outstanding bonds as defined in the agreements. Interest on draws is paid at a variable base rate. The base rate will be equal to the Wall Street Journal's prime rate plus 0% to 2% depending on the amount of days outstanding and the type of draw.

There are various restrictive covenants, which include compliance with certain financial ratios and a detail of events constituting defaults. The Retreat is in compliance with these requirements at December 31, 2010.

Scheduled principal repayments on long-term debt and capital lease obligations are as follows:

	Long-Term <u>Debt</u>	Capital Lease <u>Obligations</u>
2011 (included in current liabilities)	\$ 170,000	\$ 45,900
2012	175,000	45,882
2013	180,000	-
2014	190,000	-
2015	195,000	-
Thereafter	<u>6,410,000</u>	<u>-</u>
	<u>\$ 7,320,000</u>	91,782
Less amount representing interest under capital lease obligations		<u>8,104</u>
		<u>\$ 83,678</u>

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

7. Concentrations

Credit Risk

The Retreat grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2010</u>	<u>2009</u>
Medicare	12 %	16 %
Medicaid	38	38
Blue Cross	16	11
Other third-party payors	29	31
Patients	<u>5</u>	<u>4</u>
	<u>100 %</u>	<u>100 %</u>

The Retreat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Retreat has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk with respect to these accounts.

Labor Force

The Retreat's unionized labor workforce are members of the United Nurses and Allied Professionals Local Unit #5086 and Local Unit #5087. The union contracts are in effect through October 12, 2012.

8. Commitments and Contingencies

Medical Malpractice Claims

The Retreat insures against malpractice losses by obtaining a claims-made policy which provides specified coverage for claims reported during the policy term. The policy contains a provision which allows the Retreat to purchase "tail" coverage for an indefinite period to avoid any future lapse in insurance coverage. The possibility exists, as a normal risk of doing business, that malpractice claims in excess of insurance coverage may be asserted against the Retreat. In the event a loss contingency should occur, the Retreat would give appropriate recognition to it in its financial statements in conformity with FASB ASC 450, *Contingencies*. As of December 31, 2010, there are no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor are there any unasserted claims or incidents which require loss accrual. The Retreat intends to renew coverage on a claims-made basis and anticipates that such coverage will be available.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

Operating Leases

The Retreat has leased equipment under operating leases expiring at various dates through 2013. Total rental expense for the years ended December 31, 2010 and 2009, for the operating leases was approximately \$86,500 and \$72,300, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2010, that have initial or remaining lease terms in excess of one year.

2011	\$ 64,880
2012	64,880
2013	<u>64,880</u>
	<u>\$ 194,640</u>

Litigation

The Retreat is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Retreat's future financial position or results from operations.

Asset Retirement Obligation

FASB ASC 410, *Asset Retirement Obligations*, requires entities to record asset retirement obligations at fair value if they can be reasonably estimated. The State of Vermont requires special disposal procedures relating to building materials containing asbestos. The Retreat buildings contain asbestos, but a liability has not been recognized. This is because there are no current plans to renovate or dispose of the buildings that would require the removal of the asbestos; accordingly, the liability has an indeterminate settlement date and its fair value cannot be reasonably estimated.

9. Pension Plan

The Retreat has a contributory defined contribution plan (Pension Plan) available to substantially all employees. The Retreat contributes 3% of gross compensation up to maximum amounts allowed under Internal Revenue Service regulations. In addition, employees may elect to contribute up to 20% of gross compensation up to the maximum amount allowed per year to the Pension Plan with the Retreat contributing an additional \$.50 for each \$1.00 of participant contribution. This matching contribution is limited to one percent of the participant's compensation. The Retreat has temporarily suspended discretionary contributions on behalf of its employees in 2010.

Total expense related to the Pension Plan for the years ended December 31, 2010 and 2009, was approximately \$147,000 and \$593,000, respectively.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

10. Deferred Compensation

In 1983, the Retreat implemented a deferred compensation plan (Plan) intended to provide postretirement income for employees approved by the Board. The Plan was adopted by the Board to ensure the continuation of the performance of valuable services to the Retreat by certain employees up to their retirement, as well as to aid in providing retirement and death benefits to the employee and his or her beneficiaries.

Each employee, approved by the Board of Trustees to participate in the Plan, executed a Stated Benefit Deferred Compensation Agreement with the Retreat. Under the terms of these agreements, if the employee retires or dies while employed by the Retreat, the Retreat will make a standard payment as stated in the agreement to the employee or the stated beneficiary within six months and for the 14 years thereafter. If the employee ends employment with the Retreat, the Retreat will commence payments to the employee or the beneficiary in 15 equal annual installments as set forth in each executed agreement. There are no employee contributions allowed under the terms of the Plan. All distributions of the Plan are taxable to the employee or beneficiary as income.

As allowable under the Plan, the Retreat has obtained insurance policies on the lives of the employees participating in the Plan. The policies are owned by the Retreat and the cash surrender values of these policies are assets of the Retreat and may be used to meet future obligations of the Plan.

As of December 31, 2010 and 2009, the Retreat has borrowed approximately \$220,000 against the policies.

11. Fair Value of Financial Instruments

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

BRATTLEBORO RETREAT

Notes to Financial Statements

December 31, 2010 and 2009

Assets and liabilities measured at fair value on a recurring basis are summarized below. Fair values were primarily determined using a market approach.

Fair Value Measurements at December 31, 2010, Using

	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 657,640	\$ 657,640	\$ -	\$ -
Corporate bonds	5,598,430	-	5,598,430	-
U.S Treasury obligations and government securities	<u>4,098,323</u>	<u>4,098,323</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 10,354,393</u>	<u>\$ 4,755,963</u>	<u>\$ 5,598,430</u>	<u>\$ -</u>

Fair Value Measurements at December 31, 2009, Using

	<u>Total</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 645,062	\$ 645,062	\$ -	\$ -
Corporate bonds	4,838,144	-	4,838,144	-
U.S. Treasury obligations and government securities	<u>3,708,046</u>	<u>3,708,046</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,191,252</u>	<u>\$ 4,353,108</u>	<u>\$ 4,838,144</u>	<u>\$ -</u>

The Retreat's financial instruments consist of cash and cash equivalents, investments, trade accounts receivable and payable, estimated third-party payor settlements, and long-term debt. The fair values of all financial instruments approximate their carrying values at December 31, 2010.

APPENDIX C

CERTAIN INFORMATION CONCERNING THE BANK

TD Bank, N.A. (the “Bank”) is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank (“TD”) and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust and insurance agency services. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. As of September 30, 2011, the Bank had consolidated assets of \$187.5 billion, consolidated deposits of \$150.6 billion and stockholder’s equity of \$28.1 billion, based on regulatory accounting principles.

On April 1, 2011, TD and the Bank acquired Chrysler Financial Services Americas LLC (“Chrysler Financial”) for cash consideration of approximately \$6.3 billion. The purchase is comprised of net assets of \$5.9 billion and approximately \$400 million in goodwill. Under the terms of the acquisition agreement, the Bank acquired the Chrysler Financial business in the U.S. and TD acquired the Chrysler Financial business in Canada. The acquisition gives TD and the Bank all of Chrysler Financial’s processes and technology as well as its existing portfolio of retail assets in both countries, and gives TD and the Bank a platform for asset generation in the North American automotive lending market, giving it the opportunity to significantly grow its consumer loan portfolio.

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

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

The Letter of Credit has been issued by the Bank and is the obligation of the Bank and not TD.

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

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034
Attn: Corporate and Public Affairs

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

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D
DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE LOAN AGREEMENT AND THE
TRUST AGREEMENT, AND A COPY OF THE MASTER TRUST INDENTURE

DEFINITIONS OF CERTAIN TERMS

The following is a summary of the definitions of certain items contained in the Loan Agreement and the Trust Agreement and used in this Official Statement. The term “Corporation”, as used in this Appendix D, refers to the Borrower, The Brattleboro Retreat.

“Act of Bankruptcy” means a filing of a petition of bankruptcy (or any other commencement of bankruptcy or similar proceedings) by or against the Corporation or the Agency under any applicable bankruptcy, insolvency, reorganization or similar law, as now or hereafter in effect.

“Alternate Credit Facility” means any validly issued letter of credit delivered to the Bond Trustee and being substituted for the Credit Facility then in effect pursuant to the Trust Agreement and which fails to qualify as a Substitute Credit Facility.

“Available Moneys” means (i) money or Defeasance Obligations deposited by the Corporation in trust with the Bond Trustee that have been held in trust by the Bond Trustee for at least 123 days (365 days if the Corporation is no longer the sole Member of the Obligated Group) prior to the payment of principal of and interest on the Bonds, determined on a first-in- first-out basis, without an intervening Act of Bankruptcy, (ii) proceeds of the Bonds deposited in the Interest Account, (iii) money that would not be a preference payment under the United States Bankruptcy Code, as indicated in an Opinion of Counsel nationally recognized as expert in bankruptcy law acceptable to Moody’s, and (iv) any investment of amounts specified in (i), (ii) and (iii) above and the proceeds from the investment thereof. For the purposes hereof, the Bond Trustee shall not be required to consider amounts to be Available Moneys unless such amounts represent draws under the Credit Facility or, as of the Business Day next preceding any date on which payment or disbursement is to be made by the Bond Trustee, the Bond Trustee has received a certificate of an officer of the Corporation and an Opinion of Counsel satisfactory to the Bond Trustee to the effect that no Act of Bankruptcy exists or has occurred which would result in such funds being considered voidable preferences in the event of an Act of Bankruptcy.

“Bank” means TD Bank, N.A., issuer of the initial Credit Facility and any Substitute Credit Facility, and any legal successors thereto, or any other entity providing an Alternate Credit Facility.

“Bank Obligations” means all obligations of the Corporation to the Bank under the Reimbursement Agreement.

“Bank Rate” means, with respect to the Bonds, the rate of interest per annum payable in respect to such Bonds held by or for the account of the Bank as provided in the Trust Agreement.

“Beneficial Owner” means the Person in whose name a Bond is recorded as beneficial owner of such Bond by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such Person’s subrogee.

“Bond Fund” means the Bond Fund created under the Trust Agreement.

“Bonds” means the Bonds of the Agency issued pursuant to the Trust Agreement.

“Bond Year” means the period commencing on the first day of December of any year and ending on the last day of November in the following year.

“Book Entry Bonds” means Bonds of which a Securities Depository or its nominee is the Holder.

“Book-Entry System” means a book-entry system established and operated for the recordation of Beneficial Owners of the Bonds pursuant to the Trust Agreement.

“Business Day” means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in any city in which the principal office of the Bond Trustee, the Tender Agent, the Remarketing Agent or the Bank is located are authorized or required by law or executive order to close, or (ii) a day on which the New York Stock Exchange is closed.

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

“Corporation Representative” means each of the persons at the time designated to act on behalf of the Corporation in a written certificate furnished to the Agency and the Bond Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Corporation by its president or chief financial officer.

“Cost” means, without intending thereby to limit or restrict any proper definition of such word under the Act, all items of cost set forth in the Trust Agreement.

“Credit Facility” means the irrevocable direct-pay letter of credit dated the date of delivery of the Bonds, issued by the Bank pursuant to the Reimbursement Agreement and any extensions, renewals or substitutions thereof pursuant to the Reimbursement Agreement. Upon the substitution of an Alternate Credit Facility or a Substitute Credit Facility pursuant to the Trust Agreement for any Credit Facility held by the Bond Trustee, “Credit Facility” shall mean such Alternate Credit Facility or Substitute Credit Facility, as the case may be.

“Daily Rate” means the interest rate to be determined for the Bonds during any Daily Interest Period pursuant to the Trust Agreement.

“Defaulted Interest” means any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date.

“Defeasance Obligations” means (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations and (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian.

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers which are rated in the highest rating category by S&P and Moody’s, respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, (iii) cash or (iv) any combination of such noncallable Government Obligations, evidences of ownership and cash, which Government Obligations or evidences of ownership, together with any cash, are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, being sufficient, together with any cash, to provide money to pay the principal of, premium, if any, and interest on such obligations of such state or local government municipal bond issuers.

“Expiration Date” means the date six days prior to the date upon which the Credit Facility will expire in accordance with its terms, without regard to earlier termination upon the occurrence of certain events.

“Extended Rate” means the rate at which the Bonds shall bear interest during any Extended Rate Period.

“Fixed Rate” means the rate or rates at which the Bonds shall bear interest from and including the Fixed Rate Conversion Date to the maturity date thereof.

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

“Holder” means a person in whose name a Bond is registered in the registration books of the Bond Trustee.

“Indirect Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository through a Participant.

“Interest Payment Date” means, (a) when used with respect to Bonds bearing interest at other than the Bank Rate, the Extended Rate or the Fixed Rate, the first Business Day of each calendar month, (b) when used with respect to Bonds bearing interest at the Bank Rate, the date the Remarketing Agent is able to sell such Bonds pursuant to the Trust Agreement, (c) when used with respect to Bonds bearing interest at the Extended Rate, the first Business Day of the sixth month following the Extended Rate Conversion Date and the first Business Day of each sixth calendar month thereafter, and (d) when used with respect to Bonds bearing interest at the Fixed Rate, each June 1 and December 1.

“Investment Obligations” means:

(1) Defeasance Obligations;

(2) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or any other like governmental or government-sponsored agencies which are hereafter created: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Export Import Bank of the United States; Farmers Home Administration; Small Business Administration Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; and Government National Mortgage Association;

(3) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are rated in one of the two highest rating categories by each of S&P and Moody’s (without regard to any gradations within such categories), or, upon the discontinuance of either or both of such services, any other nationally recognized rating services;

(4) negotiable or non-negotiable certificates of deposit, time deposits, or other similar banking arrangements, issued by any bank (including the Bond Trustee), banking association or trust company or any savings and loan association, and either (i) the long-term obligations of such bank or trust company or savings and loan association are rated in one of the two highest rating categories by S&P and Moody’s (without regard to any gradations within such categories) or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Federal Deposit Insurance Corporation or similar corporation chartered by the United States of America, (a) by lodging with a bank or trust company, as collateral security, obligations described in paragraph (1) or (2) above or other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller or the Currency of the United States or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) of this paragraph is not permitted by applicable law, in such manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds;

(5) repurchase agreements with respect to obligations listed in paragraph (1) or (2) above if entered into with a bank (including the Bond Trustee), banking association, trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934) which is a dealer in government securities which reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, and which is a member of the Securities Investors Protection Corporation if (i) such obligations that are the subject of such repurchase agreement are delivered to the Bond Trustee or are supported by a safe-keeping receipt issued by a depository satisfactory to the Bond Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price, (ii) a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to the Bond Trustee and (iii) such obligations are free and clear of any adverse third party claims;

(6) commercial paper rated in the highest rating category by S&P and Moody's;

(7) mutual funds that invest primarily in obligations listed in paragraphs (1), (2) and (3) above, which mutual funds are rated in the highest categories by each of S&P and Moody's;

(8) investment agreements continuously secured by the obligations listed in paragraphs (1), (2) or (4) above, with any bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934) which is a dealer in government securities, reports to, trades with and is recognized as a primary dealer by, a Federal Reserve Bank, and is a member of the Securities Investors Protection Corporation if (i) such obligations are delivered to the Bond Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Bond Trustee, provided that such investment agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the amount deposited thereunder, (ii) a prior perfected security interest in the obligations which are securing such agreement has been granted to the Bond Trustee, and (iii) such obligations are free and clear of any adverse third party claims;

(9) investment agreements with any bank (including a domestic branch of a foreign bank), trust company, insurance company, insurance holding company, corporation or other financial institution which has long-term obligations rated in one of the three highest rating categories by S&P and Moody's (without regard to any gradations within such categories); and

(10) so long as the Credit Facility is in effect and has not been dishonored, any other investment approved in writing by the Bank.

Any of the above-described investments may be issued by or acquired through the Bond Trustee or its affiliates, or any entity for which the Bond Trustee or its affiliates provide services (and received compensation) if such investment otherwise satisfied the requirements of this definition.

"Loan Repayments" means the payments so described under the caption "Loan Repayments; Required Payments Under the Loan Agreement" in the Summary of the Loan Agreement in this Appendix D.

"Mandatory Tender Date" means any date on which the Bonds are subject to mandatory tender pursuant to the Trust Agreement.

"Moody's" means Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency appointed by the Corporation and approved by the Agency.

"Optional Tender Date" means any date on which the Bonds are subject to optional tender pursuant to the Trust Agreement.

"Outstanding" when used with reference to Bonds means, as of a particular date, all Bonds theretofore issued under the Trust Agreement, except:

(a) Bonds paid or redeemed or delivered to the Bond Registrar for cancellation;

(b) Bonds, for the payment of which money, Defeasance Obligations, or a combination of both, sufficient to pay, on the date when such Bonds are to be paid or redeemed, the principal or Redemption Price of, and the interest accruing to such date on, the Bonds to be paid or redeemed, has been deposited with the Bond Trustee or the Bond Registrar in trust for the Holders of such Bonds; Defeasance Obligations shall be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Government Obligations, when due, will be sufficient to pay on such date the principal or Redemption Price of, and the interest accruing on, such Bonds to such date;

(c) Bonds in exchange for or in lieu of which other Bonds have been issued and authenticated under the Trust Agreement;

(d) Bonds deemed to have been paid in accordance with the Trust Agreement; provided, however, that so long as the Credit Facility is in effect, any moneys or Government Obligations deposited pursuant to the Trust Agreement and used to pay amounts due or to become due on the Bonds shall not, in the Opinion of Counsel of recognized standing in matters pertaining to bankruptcy laws, constitute a voidable preference if an Act of Bankruptcy occurs; and

(e) Undelivered Bonds;

provided, however, that any Bond paid from the proceeds of a drawing under the Credit Facility shall be deemed Outstanding and not to have been paid until the principal of and all interest on such Bond shall be paid by the Corporation to the Bank; and provided, further, however, if payment for the Bonds has been provided for pursuant to the Trust Agreement prior to the Fixed Rate Conversion Date such Bonds shall be deemed Outstanding and not to have been paid and continue to enjoy the security and benefits of the Trust Agreement but only to the extent required to assure the repurchase of such Bonds in the manner provided for in the Trust Agreement and in the Remarketing Agreement.

“Participant” means a broker-dealer, bank or other financial institution for which the Securities Depository holds Bonds as a securities depository.

“Purchase Date”, when used with respect to any Bond, means any date on which the Tender Agent is obligated to purchase such Bond.

“Purchase Price” of any Bond required to be purchased by the Tender Agent means an amount equal to the principal amount of such Bond plus accrued interest thereon if the Purchase Date is other than an Interest Payment Date at the rate applicable to such Bond from the most recent Interest Payment Date to but excluding the Purchase Date.

“Rate Period” means, when used with respect to any particular rate of interest, the period during which such rate of interest determined for the Bonds will remain in effect pursuant to the Trust Agreement.

“Redemption Fund” means the Redemption Fund created under the Trust Agreement and described in the Summary of the Trust Agreement in this Appendix D.

“Redemption Price” means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof.

“Reimbursement Agreement” means the Reimbursement Agreement, dated as of December 1, 2011, between the Bank and the Corporation pursuant to which the initial Credit Facility is issued and also includes any similar agreement between the Corporation and the Bank pursuant to which a Substitute Credit Facility is issued, and including, in each case, all amendments and supplements thereto.

“Required Payments Under the Loan Agreement” means the payments so described under the caption “Loan Repayments; Required Payments Under the Loan Agreement” in the Summary of the Loan Agreement in this Appendix D.

“Securities Depository” means The Depository Trust Company, New York, New York, and any substitute for or successor to such securities depository that shall maintain a Book-Entry System with respect to the Bonds.

“Securities Depository Nominee” means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Register the Bonds to be delivered to such Securities Depository during the continuation with such Securities Depository of participation in its Book-Entry System.

“S&P” means Standard & Poor’s, a division of Standard & Poor’s Financial Services LLC, its successors and assigns, and, if for any reason “S&P” shall no longer perform the functions of a securities rating agency or “S&P” shall no longer maintain a rating on the Bonds, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency appointed by the Corporation and approved by the Agency.

“Sinking Fund Requirement” means, with respect to Bonds for any Bond Year, the principal amount fixed or computed as hereinafter provided for the retirement of such Bonds by purchase or redemption on December 1 of the following Bond Year.

The Sinking Fund Requirement for the Bonds for each Bond Year shall be initially the respective principal amounts of such Bonds to be redeemed, or otherwise retired, on December 1 of the following Bond Year as provided in the Trust Agreement. The Sinking Fund Requirements for the Bonds are as set forth under the subheading “Mandatory Sinking Fund Redemption Without Premium” under the heading, “DESCRIPTION OF THE BONDS” set forth herein.

“State” means the State of Vermont.

“Substitute Credit Facility” means any validly issued irrevocable letter of credit issued by the provider of the Credit Facility then in effect containing substantially the same terms as the initial Credit Facility, delivered to the Bond Trustee and being substituted for the Credit Facility then in effect pursuant to the Trust Agreement. (See “Alternate Credit Supports - Substitute Credit Facilities” under the heading “SECURITY FOR THE BONDS” set forth herein.)

“Total Required Payments” means the sum of Loan Repayments and Required Payments under the Loan Agreement.

“Undelivered Bonds” means Bonds which are deemed to have been tendered to the Tender Agent, as provided in the Trust Agreement, but which have not been surrendered to the Tender Agent.

“Variable Rate” means, as the context requires, the Daily, Weekly or Extended Rate applicable to the Bonds.

“Weekly Rate” means the interest rate to be determined for the Bonds during any Weekly Interest Period pursuant to the Trust Agreement.

SUMMARY OF LOAN AGREEMENT

Loans Repayments; Required Payments Under the Loan Agreement

The Corporation is required to make Total Required Payments under the Loan Agreement when due.

Loan Repayments are required to be sufficient in the aggregate to repay the Loan and interest thereon and to pay in full all Bonds outstanding under the Trust Agreement, together with the total interest and redemption premium, if any, thereon. The Corporation is required to repay the Loan in installments, each installment being deemed a Loan Repayment. The Corporation may prepay all or any part of the loan as provided in the Loan Agreement.

The Corporation shall also pay, when due and payable, as Required Payments under the Loan Agreement, the following costs and expenses, exclusive of costs and expenses payable from the proceeds of the Bonds:

(i) the fees and other costs incurred for services of the Master Trustee (and, if not paid when due, interest thereon at its base rate), the Tender Agent (and, if not paid when due, interest thereon at its base rate), the Remarketing Agent, the Bank and any rating agency rating the Bonds;

(ii) the fees and other costs payable to the Bond Trustee (and, if not paid when due, interest thereon at its base rate);

(iii) all costs incurred in connection with the purchase or redemption of Bonds to the extent money is not otherwise available therefor;

(iv) the fees and other costs incurred for services of such engineers, architects, attorneys, management consultants, insurance advisers, and accountants as are employed to make examinations, provide service, render opinions or prepare reports required under the Loan Agreement, the Master Indenture or the Trust Agreement;

(v) reasonable fees and other costs that the Corporation is obligated to pay, not otherwise paid under the Loan Agreement or the Trust Agreement, incurred by the Agency in connection with its administration and enforcement of, and compliance with, the Loan Agreement or the Trust Agreement, including, but not limited to, the annual administrative fee imposed by the Agency in an annual amount not to exceed 1/10 of 1% of the original aggregate principal amount of the Bonds, which annual amount is payable November 1 of each calendar year commencing November 1, 2012, and reasonable attorneys' fees;

(vi) all costs incurred by the Agency or the Bond Trustee in connection with the discontinuation of or withdrawal from any book-entry system for the Bonds or any transfer from one book-entry system to another, including, without limitation, the printing and issuance of additional or substitute Bonds in connection with such withdrawal, discontinuance or transfer; and

(vii) fees and other costs incurred in connection with the issuance of the Bonds.

Absolute Obligation to Make Total Required Payments

So long as any Bonds remain Outstanding or Bank Obligations remain unpaid, the obligation of the Corporation to make Total Required Payments shall be absolute and unconditional. The Corporation will pay without abatement, diminution or deduction (whether for taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Corporation may have or assert against the Agency or the Bond Trustee or any other person.

Other Covenants of the Corporation

The Loan Agreement provides that the Corporation will comply with each covenant, condition and agreement in the Master Indenture. The Loan Agreement also sets forth certain other agreements of the Corporation with respect to among other things: merger, sale and transfer of assets; examination of books and records of the Corporation; furnishing to the Agency, the Bond Trustee, the Bank, and any Holder who requests in writing, the financial statements and certain other information required to be furnished under the Master Trust Indenture; the execution, acknowledgment and delivery of supplements, amendments and such further instruments as may reasonably be required with respect to the performance of the Loan Agreement; inspection of any Operating Assets by the Agency, the Bond Trustee, the Bank and the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Outstanding Bonds; and secondary market disclosure.

Amendments to Master Indenture

So long as any Bonds are Outstanding, the Master Indenture shall not be amended without the prior written consent of the Agency and, subject to the provisions of the applicable supplement, the Bank if such amendment would require the consent of all or a portion of the Holders of the Obligations then Outstanding. So long as any Bonds are Outstanding, the Corporation agrees that it will not exercise any right it may have under the Master Indenture to remove the Master Trustee unless the Corporation has given prior written notice by certified mail of such removal to the Agency and the Agency has not objected thereto within ten (10) days after the receipt of such notice.

Defaults and Remedies

Events of Default are defined in the Loan Agreement to include: (a) failure of the Corporation to make any payment required under the Loan Agreement (including, but not limited to, Loan Repayments) or under the Obligation related to the Loan Agreement when due, whether at maturity, redemption, acceleration or otherwise, (b) failure of the Corporation to perform, observe or comply with any covenant, condition or agreement on its part under the Loan Agreement (other than a failure to make any payments described under clause (a) of this paragraph), including any covenant, condition or agreement in the Master Indenture applicable to the any Member of the Obligated Group and incorporated by reference in the Loan Agreement, and such failure continues for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, has been given to the Corporation by the Bond Trustee or to the Corporation and the Bond Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding; provided, however, that if such performance, observation or compliance requires work to be done, action to be taken or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such 30-day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the Corporation shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion; or (c) the Master Trustee has declared the aggregate principal amount of the Obligation related to the Loan Agreement and all interest due thereon immediately due and payable in accordance with the Master Indenture.

Upon the happening and continuance of an Event of Default under the Loan Agreement, the Agency may take the following remedial steps: (i) in the case of an Event of Default described in clause (a) in the preceding paragraph, take whatever action at law or in equity is necessary or desirable to collect the payments then due under the Obligation related to the Loan Agreement; (ii) in the case of an Event of Default described in clause (b) in the preceding paragraph, take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Corporation with any covenant, condition or agreement by the Corporation under the Loan Agreement; and (iii) in the case of an Event of Default described in clause (c) in the preceding paragraph, take such action, or cease such action, as the Master Trustee shall direct, but only to the extent such direction is consistent with the provisions of the Master Indenture.

Prepayment of the Loan

The Corporation has the option to prepay, together with accrued interest, all or any portion of the unpaid aggregate amount of the Loan by redeeming Bonds in accordance with the Trust Agreement. Such prepayment will be made by the Corporation taking, or causing the Agency to take, the actions required (i) for payment of the Bonds, whether by redemption or purchase prior to maturity or by payment at maturity, or (ii) to effect the purchase, redemption or payment at maturity of less than all of the Outstanding Bonds according to their terms.

The Corporation has the option to prepay the unpaid aggregate amount of the Loan, together with accrued interest to the date of prepayment, upon the occurrence of the following events: (a) damage or destruction of all or any part (if damage or destruction of such part causes the Corporation to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Agency and the Bond Trustee) of the Operating Assets by fire or casualty, or loss of title to or use of substantially all of the Operating Assets as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof; or (b) changes in the Constitution of the United States of America or of the State or of legislation or administrative action, or failure of administrative action by the United States of America or the State or any agency or political subdivision of either, or any by reason of any judicial decision; in either event to such extent that in the opinion of the board of directors of the Corporation (expressed in a resolution) and in the opinion of an independent architect, engineer or management consultant (as may be appropriate for the particular event), both filed with the Agency and the Bond Trustee, (i) the Loan Agreement is impossible to perform without reasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date of the Loan Agreement are imposed on the Corporation.

The Corporation shall have the right to revoke any notice of prepayment given pursuant to the Loan Agreement if and to the same extent that a notice of optional redemption given pursuant to the Trust Agreement contains conditions under which the call for redemption may be revoked.

Amendment of Loan Agreement

The Loan Agreement may be amended, without the consent of or notice to any of the Holders, to cure any ambiguity or formal defect or omission therein or in any supplement thereto; to correct or supplement any provisions therein which may be inconsistent with any other provisions therein or make any other provisions with respect to matters which do not materially and adversely affect the interest of the Holders; to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted or conferred upon the Holders or the Bond Trustee; or to add conditions, limitations and restrictions on the Corporation to be observed thereafter.

Other than amendments referred to in the preceding paragraph and subject to the terms and provisions and limitations contained in the Trust Agreement and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Corporation and the Agency of such supplements and amendments as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Loan Agreement; provided, however, nothing in the Loan Agreement shall permit or be construed as permitting a supplement or amendment which would:

- (i) Extend the stated maturity of or time for paying interest on the Obligation related to the Loan Agreement or reduce the principal amount of or the redemption premium or rate of interest payable on such Obligation without the consent of the Holders of all Bonds then Outstanding;
- (ii) Except as expressly permitted at the time of execution of the Loan Agreement, grant to the registered owner of any Indebtedness (as defined in the Master Indenture) a security interest in Pledged Assets superior to that of the Holders without the consent of the Holders of all Bonds then Outstanding; or
- (iii) Reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such supplement or amendment without the consent of the Holders of all Bonds then Outstanding.

Members, Directors, Trustees, Officers and Employees of the Agency and the Corporation Not Liable

Neither the members, officers and employees of the Agency nor the members of the board of directors or the trustees, officers and employees of the Corporation will be personally liable for any costs, losses, damages, or liabilities caused or subsequently incurred by the Corporation or any officer, director or agent thereof in connection with or as a result of the Loan Agreement.

Bank Deemed Holder

For all purposes of the Loan Agreement regarding defaults and remedies and amendments to the Loan Agreement, the Bank shall, so long as the Credit Facility shall be in effect and shall not have been dishonored and uncured and so long as any Bank Obligations remain unpaid, be deemed the Holder of all Bonds. As such, the Bank may take all actions permitted by the provisions of the Loan Agreement regarding defaults and remedies and amendments thereto to be taken by the Holders of the Bonds, to the exclusion of the actual Holders of the Bonds, as if the Bank was in fact the actual Holder of all such Bonds; the purposes of this provision being to permit the Bank to direct the taking of actions and the enforcement of remedies permitted by the provisions of the Loan Agreement regarding defaults and remedies and to consent to supplements to the Loan Agreement so long as the Credit Facility shall be in effect and shall not have been dishonored and uncured and so long as any Bank Obligations remain unpaid.

SUMMARY OF THE TRUST AGREEMENT

Various Funds and Accounts Created by the Trust Agreement

The Trust Agreement creates the following funds:

1. The Bond Fund
2. The Redemption Fund
3. The Construction Fund

Money received by the Agency from any source for the construction of any portion of the Project shall be deposited immediately upon receipt to the credit of the Construction Fund. Payment of the cost of the Project shall be made from the Construction Fund.

The Trust Agreement also creates separate accounts in the Bond Fund designated the "Interest Account" and "Sinking Fund Account."

The Bond Trustee shall establish separate subaccounts within the Interest Account, Sinking Fund Account and Redemption Fund corresponding to the source of moneys (e.g., proceeds of required draws on the Credit Facility or Available Moneys) for each deposit made thereto so that the Bond Trustee may at all times ascertain the source and date of deposit of the funds in each such subaccount.

The money in each of such funds and accounts shall be held in trust and applied as hereinafter described and, pending such application, shall be subject to a lien and charge in favor of the Holders and for the further security of such Holders; provided, however, that moneys in subaccounts shall also be subject to a lien and charge in favor of the Bank for the further security of the Bank.

Deposits to the Bond Fund

The Bond Trustee will deposit all amounts received as Loan Repayments and Required Payments under the Loan Agreement in the following order, subject to the credits provided in the Trust Agreement:

(i) on the 1st day of each month commencing on the 1st day of the month which follows the month in which the Bonds are delivered and paid for, and continuing on the 1st day of each month thereafter so long as any Bonds are Outstanding, into the Bond Fund for credit to the appropriate subaccount in the Interest Account, an amount such that, if the same amount is so credited on the 1st day of each succeeding month thereafter, the aggregate of such amounts on credit to such subaccount on an Interest Payment Date will be equal to the installment of interest falling due on the Bonds on such Interest Payment Date; and

(ii) beginning December 25, 2011, and on the 25th day of each month thereafter, into the Sinking Fund Account in the Bond Fund, one-twelfth (1/12) of the amount required to retire the Bonds to be called by mandatory redemption or to be paid at maturity on the next ensuing December 1 in accordance with the Sinking Fund Requirement therefor.

If, after giving effect to the credits specified below, any installment of Total Required Payments is insufficient to enable the Bond Trustee to make the deposits required above, the Bond Trustee will notify the Corporation and request that it increase each future installment of the Total Required Payments to make up any previous deficiency in any of the required monthly payments and to make up any deficiency or loss in any of the above-mentioned accounts and funds.

To the extent that investment earnings are credited to the Interest or Sinking Fund Accounts in accordance with the Trust Agreement, or amounts are credited thereto as a result of the application of Bond proceeds or a transfer of investment earnings on any other fund or account held by the Bond Trustee, or otherwise, future deposits

to such accounts shall be reduced by the amount so credited, and the Loan Repayments due from the Corporation in the months following the date of the credit shall be reduced by the amounts so credited.

Interest Account

If the Bonds are not in a Book-Entry System, not later than 1:00 p.m. on each Interest Payment Date, or date for the payment of Defaulted Interest, or date upon which Bonds are to be redeemed, the Bond Trustee shall withdraw from the Interest Account and remit by mail, to each Holder which is not a Securities Depository Nominee the amount required for paying interest on such Bonds when due and payable.

If the Bonds are in a Book-Entry System, at such time as to enable the Bond Trustee to make payments of interest on the Bonds in accordance with any existing agreement between the Bond Trustee and any Securities Depository, the Bond Trustee shall withdraw from the Interest Account and remit by wire transfer, in Federal Reserve or other immediately available funds, the amounts required to pay to any Holder which is a Securities Depository Nominee interest on the Bonds on the next ensuing Interest Payment Date or date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed; provided, however, that in no event shall the Bond Trustee be required to make such wire transfer prior to the Business Day next preceding each Interest Payment Date or date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed, and provided further that such wire transfer shall be made not later than 1:00 p.m. on each Interest Payment Date or date for the payment of Defaulted Interest or date upon which Bonds are to be redeemed.

Sinking Fund Account

Money on deposit in the Sinking Fund Account of the Bond Fund will be applied during each Bond Year to the retirement of Bonds then Outstanding as follows:

(a) The Bond Trustee shall endeavor to purchase and cancel Bonds or portions thereof then subject to redemption by operating of the Sinking Fund Account at the most advantageous price obtainable with reasonable diligence, such price not to exceed the Redemption Price provided in the Trust Agreement which would be payable on the next December 1 to the Holders of such Bonds under the provisions of the Trust Agreement if such Bonds or portions were to be called for redemption on such date, plus accrued interest to the date of purchase. The Bond Trustee shall pay the interest accrued on such Bonds or portions thereof to the date of settlement therefor from the Interest Account and the purchase price from the Sinking Fund Account, but no such purchase will be made by the Bond Trustee from money in the Sinking Fund Account within the period of forty-five (45) days immediately preceding the next December 1 on which such Bonds are subject to redemption. No such purchase of Bonds shall be made other than with Available Moneys on and prior to the Expiration Date. The aggregate purchase prices of such Bonds so purchased shall not exceed the amount deposited in the Sinking Fund Account on account of the Sinking Fund Requirement for such Bonds; provided, however, that if in any Bond Year the amount held for the credit of the Sinking Fund Account plus the principal amount of all Bonds purchased during such Bond Year pursuant to the provisions of the Trust Agreement described in this paragraph (a) exceeds the aggregate Sinking Fund Requirements for all Bonds then Outstanding for such Bond Year, the Bond Trustee shall endeavor to purchase any Bonds then Outstanding with such excess money;

(b) The Bond Trustee shall call for redemption on the December 1 immediately following such Bond Year, Bonds or portions thereof then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Bonds for such Bond Year, less the principal amount of any such Bonds retired by purchase pursuant to clause (a). If such December 1 is the stated maturity date of any such Bonds, the Bond Trustee shall not call such Bonds for redemption but, on such maturity date, shall withdraw from the Sinking Fund Account and remit to the Bond Registrar the amount required for paying the principal of such Bonds when due and payable. On each such redemption date, the Bond Trustee shall withdraw from the Interest Account and the Sinking Fund Account and wire transfer to the Bond Registrar the respective amounts required for paying the interest on and the Redemption Price of the Bonds or portions thereof so called for redemption, other than Bonds owned by the Bank. Any amounts remaining in the Interest Account and the Sinking Fund Account immediately after such transfer to the Bond Registrar shall be used by the Bond Trustee to reimburse the Bank in immediately available funds for any required draw on the Credit Facility and to pay the interest on and the Redemption Price of Bonds owned by the Bank.

Redemption Fund

Money held for the credit of the Redemption Fund shall be applied to the purchase or redemption of Bonds, as follows:

(a) Subject to the provisions described in paragraph (c) below, the Bond Trustee shall endeavor to purchase and cancel Bonds or portions thereof, whether or not such Bonds or portions thereof shall then be subject to redemption, at the most advantageous price obtainable with reasonable diligence, such price not to exceed the Redemption Price that would be payable on the next redemption date to the Holders of such Bonds if such Bonds or portions thereof should be called for redemption on such date from the money in the Redemption Fund. The Bond Trustee shall pay the interest accrued on such Bonds or portions thereof to the date of settlement therefor from the Interest Account and the purchase price from the Redemption Fund, but no such purchase shall be made by the Bond Trustee from money in the Redemption Fund within the period of forty-five (45) days immediately preceding any date on which such Bonds are subject to redemption and no such purchase of Bonds shall be made other than with Available Moneys on and prior to the Expiration Date;

(b) Subject to the provisions described in paragraph (c) below, the Bond Trustee shall call for redemption on each Interest Payment Date such amount of Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held for the credit of the Redemption Fund as nearly as may be practicable; provided, however, that not less than \$50,000 principal amount of Bonds shall be called for redemption at any one time. On the redemption date the Bond Trustee shall withdraw from the Interest Account and from the Redemption Fund and wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the respective amounts required for paying the interest on and the Redemption Price of the Bonds or portions thereof so called for redemption, other than Bonds owned by the Bank. Any amounts remaining in the Interest Account and the Redemption Fund immediately after such transfer to the Bond Registrar shall be used by the Bond Trustee to reimburse the Bank in immediately available funds for any required draw on the Credit Facility and to pay the interest on and Redemption Price on Bonds owned by the Bank; and

(c) Money in the Redemption Fund shall be applied by the Bond Trustee each Fiscal Year to the purchase, or the redemption of Bonds then Outstanding in accordance with the latest Officer's Certificate filed by the Corporation with the Bond Trustee designating the Bonds to be purchased or redeemed. For purposes of this clause (c), Bonds shall be considered to mature on December 1 in amounts equal to the aggregate Sinking Fund Requirement therefor.

Draws on the Credit Facility

(a) Prior to and including the Expiration Date, the Bond Trustee shall, no later than 10:00 A.M., New York City time, on each Interest Payment Date for the Bonds, submit the necessary draw certificates in accordance with the terms of the Credit Facility to ensure that by 1:30 P.M., New York City time, on each such Interest Payment Date an amount shall be drawn on the Credit Facility which, together with any Available Moneys then held in the Interest Account for, and available for payment of, the Bonds, shall be sufficient to pay the interest becoming due on all Bonds other than Bonds owned by the Bank. Such payments shall be made solely from first, Available Moneys, and second, from moneys drawn on the Credit Facility. No drawing under the Credit Facility shall be made or proceeds of any drawing applied to pay the interest on any Bonds owned by the Bank or any Bonds that have been converted to bear interest at a Fixed Rate.

(b) The Bond Trustee shall, no later than 10:00 A.M., New York City time, on each day on which principal is due prior to and including the Expiration Date, whether by optional redemption, mandatory redemption, extraordinary mandatory redemption, acceleration or maturity, submit the necessary draw certificates in accordance with the terms of the Credit Facility to ensure that, by 1:30 P.M., New York City time, on each such day to and including the Expiration Date, an amount shall be drawn on the Credit Facility which, together with any Available Moneys then held in the Sinking Fund Account or the Redemption Account for, and available for payment of, the Bonds, shall be sufficient to pay the principal of all Bonds becoming due upon presentation and surrender thereof, other than Bonds owned by the Bank. Prior to and on the Expiration Date, the Bond Trustee shall pay all principal coming due on all Bonds other than Bonds owned by the Bank, whether at maturity, upon mandatory or optional

redemption or upon acceleration, solely from first, Available Moneys, and second, from moneys drawn on the Credit Facility. No drawing under the Credit Facility shall be made or proceeds of any drawing applied to pay the principal of any Bonds owned by the Bank or any Bonds that have been converted to bear interest at a Fixed Rate.

(c) In the event the Bank dishonors a draw on the Credit Facility pursuant to subsections (a) or (b) above, the Bond Trustee shall pay principal of or interest on the Bonds, as the case may be, from Loan Repayments regardless of whether such Loan Repayments constitute Available Moneys.

(d) The Bond Trustee shall deposit the proceeds of all required draws under the Credit Facility to the appropriate subaccounts in the Interest Account, Sinking Fund Account and Redemption Fund.

Money Held in Trust

All money that the Bond Trustee shall have withdrawn from the Bond Fund or shall have received from any other source and set aside or transferred to the Bond Registrar for the purpose of paying any of the Bonds secured by the Trust Agreement, either at the maturity thereof or by purchase or call for redemption, shall be held in trust for the respective Holders. Any money that is so set aside or transferred and that remains unclaimed by the Holders for a period of three (3) years after the date on which such Bonds have become payable shall be paid to the Corporation, or to such successor as may then be entitled by law to receive the same, and thereafter the Holders shall look only to the Corporation, or to such successor, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Bond Trustee, the Bond Registrar, the Bank and the Agency shall have no responsibility with respect to such money; provided, however, that any such money relating to the Bonds shall be paid to the Bank instead of the Corporation if and to the extent that any obligations of the Corporation to the Bank remain outstanding under the Reimbursement Agreement.

Investment of Money

Money held for the credit of all funds and accounts, as nearly as may be practicable, shall be continuously invested and reinvested by the Bond Trustee in Investment Obligations; provided, however, that proceeds of required draws on the Credit Facility shall not be invested. Any such Investment Obligations will mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended.

No Investment Obligations in any fund or account may mature beyond the latest maturity date of any Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money and credited to any fund or account established under the Trust Agreement will be held by or under the control of the Bond Trustee and while so held shall be deemed at all times to be part of such fund or account in which such money was originally held. Interest accruing on such Investment Obligations and any profit or loss realized upon the disposition or maturity of the same will be credited to or charged against the fund or account to which the same are credited. The Bond Trustee shall sell at the best price reasonably attainable or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary so to do to provide money to make any payment or transfer of money from any such fund or account. The Bond Trustee will not be liable or responsible for any loss resulting from any investment made in accordance with the Trust Agreement.

Valuation

For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested will be valued (a) at face value if such Investment Obligations mature within six months from the date of valuation, and (b) if such Investment Obligations mature more than six months after the date of valuation, at the price at which such Investment Obligations are redeemable by the holder at his option if so redeemable or, if not so redeemable, at the lesser of (i) the cost of such Investment Obligations plus the amortization of any premium or minus the amortization of any discount thereon and (ii) the market value of such obligations.

The Bond Trustee shall value the Investment Obligations in the funds and accounts established under the Trust Agreement as of the last business day of each month. In addition, the Investment Obligations will be valued by the Bond Trustee at any time requested by the Agency Representative or Corporation Representative on reasonable notice to the Bond Trustee (which period of notice may be waived or reduced by the Bond Trustee), provided, however that the Bond Trustee shall not be required to value the Investment Obligations more than once in any calendar month.

Events of Default

Each of the following events is an Event of Default under the Trust Agreement:

- (a) payment of any installment of interest on any Bonds shall not be made when due and payable; or
- (b) payment of the principal or the purchase price or the redemption premium, if any, of any Bonds shall not be made when due and payable, whether at maturity or by proceedings for redemption or pursuant to a Sinking Fund Requirement or otherwise; or
- (c) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any agreement supplemental thereto and such default shall continue for thirty (30) days or such further time as may be granted in writing by the Bond Trustee after receipt by the Agency, of a written notice from the Bond Trustee specifying such default and requiring the same to be remedied; or
- (d) an "Event of Default" shall have occurred under the Loan Agreement, and such Event of Default shall not have been remedied or waived.

Remedies on Default

Upon the happening and continuance of any Event of Default under the Trust Agreement, the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Agency, the Bank and the Corporation, declare the principal of all Bonds then Outstanding to be due and payable. Such declaration may be rescinded under circumstances specified in the Trust Agreement.

Upon the happening and continuance of any Event of Default under the Trust Agreement, then and in every such case the Bond Trustee may proceed and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall proceed to protect and enforce its rights and the rights of the Holders under the laws of the State or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel chosen by the Bond Trustee, shall deem most effectual to protect and enforce such rights.

No Holder may institute any suit, action or proceeding on any Bond for any remedy under the Trust Agreement unless such Holder previously has given to the Bond Trustee written notice of the Event of Default under the Trust Agreement on account of which suit, action or proceeding is to be instituted, and unless the Holders of not less than twenty-five percent (25%) in the aggregate principal amount of Bonds then Outstanding also shall have made a written request of the Bond Trustee to act and furnished indemnity as required in the Trust Agreement and afforded the Bond Trustee a reasonable opportunity to act and the Bond Trustee has refused or neglected to comply with such request. Except as otherwise provided in the Trust Agreement, no Holder will have any right in any manner whatsoever to affect, disturb or prejudice the security of the Trust Agreement or to enforce any right thereunder except in the manner provided in the Trust Agreement, and any individual rights given to such Holders by law are restricted by the Trust Agreement to the rights and remedies therein granted.

Notwithstanding anything above to the contrary, no provisions of the Trust Agreement shall affect or impair the right of any Holder to enforce the payment of principal of and interest on his Bond or the obligation of the Agency to pay the principal of and interest on each Bond to the Holder thereof at the time and place in said Bond expressed.

Notice to Bondholders

Except as described below, notice of any Event of Default will be mailed to all Holders at their addresses as they appear on the registration books within thirty (30) days after the Bond Trustee receives notice of the same. The Bond Trustee shall not be subject to any liability to any Holder by reason of its failure to mail any such notice.

Except upon the happening of an Event of Default with respect to, among other things, the payment of the principal of and interest on or redemption premium on bonds when due, the Bond Trustee may withhold notice of any Event of Default to Holders if in its opinion such withdrawal is in the interest of the Holders. The Bond Trustee shall not be subject to any liability to any Holder by reason of its failure to mail any such notice.

Bank Deemed Holder

For all purposes of the provisions of the Trust Agreement regarding defaults and remedies and supplements to the Trust Agreement and the Loan Agreement, the Bank shall, so long as the Credit Facility shall be in effect and shall not have been dishonored and uncured and so long as any Bank Obligations remain unpaid, be deemed the Holder of all Bonds. As such, the Bank may take all actions permitted by the provisions of the Trust Agreement regarding defaults and remedies and supplements to the Trust Agreement and the Loan Agreement to be taken by the Holders of the Bonds, to the exclusion of the actual Holders of the Bonds, as if the Bank was in fact the actual Holder of all such Bonds; the purposes of this provision being to permit the Bank to direct the taking of actions and the enforcement of remedies permitted by the provisions of the Trust Agreement regarding defaults and remedies and to consent to supplements to the Trust Agreement and the Loan Agreement so long as the Credit Facility shall be in effect and shall not have been dishonored and uncured and so long as any Bank Obligation remains unpaid.

Payment of Bond Trustee's and Bond Registrar's Fees

If the Agency fails to cause required payments to be made to the Bond Trustee or the Bond Registrar for compensation and expenses, the Bond Trustee or the Bond Registrar may make such payment from any monies in its possession other than proceeds of drawings on the Credit Facility and will be entitled to a preference therefor over any Bonds Outstanding.

Modification of the Trust Agreement

The Agency and the Bond Trustee may, from time to time with the prior consent of the Bank so long as the Credit Facility is in effect and has not been dishonored and uncured and any Bank Obligation remains unpaid, execute such supplemental trust agreements as shall be consistent with the terms and provisions of the Trust Agreement and the Loan Agreement and, in the opinion of the Bond Trustee, who may rely upon a written opinion of counsel, shall not affect adversely or prejudice the interest of the Holders to cure any ambiguity or formal defect or omission, to modify, alter, amend, add to or rescind in any particular, any of the terms or provisions contained in the Trust Agreement, to grant to or confer upon the Bond Trustee for the benefit of the Holders of Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee, to add to the provisions of the Trust Agreement other conditions, limitations and restrictions thereafter to be observed, to add to the covenants and agreements of the Agency contained in the Trust Agreement, to surrender any right or power reserved to or conferred upon the Agency, to comply with any federal or state securities law, to provide for the issuance of Bonds in bearer form, to provide for the issuance of Bonds under a book-entry system, or to provide for changes necessary or desirable in connection with the conversion of the Bonds to a Fixed Rate, including the establishment of additional accounts for serial Bonds.

The Trust Agreement may be amended in any particular with the consent of the Bank so long as the Credit Facility is in effect and has not been dishonored and any Bank Obligation remains unpaid and the Holders of more

than fifty percent (50%) in aggregate principal amount of the Bonds Outstanding, provided, that nothing contained in the Trust Agreement will permit (a) an extension of the maturity of principal of or interest on any Bonds, (b) a reduction in the principal amount of or the redemption premium or the rate of interest on any Bonds, (c) the creation of a pledge of receipts and revenues to be received by the Agency other than the pledge created by the Trust Agreement, (d) a preference or priority of any Bonds over any other Bonds, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental trust agreement.

Defeasance

When, among other things, the principal, premium, if any, and interest due upon all of the Bonds is paid or sufficient money or Defeasance Obligations are held by the Bond Trustee for such purpose under the conditions specified in the Trust Agreement, then the right, title and interest of the Bond Trustee in the funds and accounts created in the Trust Agreement will cease and the Bond Trustee will release the Trust Agreement.

No Recourse Against Members, Officers or Employees of the Agency

No recourse under, or upon, any statement, obligation, covenant, or agreement contained in the Trust Agreement; or in any Bond secured thereby; or in the Loan Agreement; or in any document or certification whatsoever; or under any judgment obtained against the Agency or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee, as such, of the Agency, either directly or through the Agency, respectively, or otherwise, for the payment for or to, the Agency or any receiver of either of them, or for, or to, any Holder or otherwise, of any sum that may be due and unpaid upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the Agency or any receiver of either thereof, or for, or to, any Holder or otherwise, of any sum that may remain due and unpaid upon the Bonds secured by the Trust Agreement or any of them, is expressly waived and released in the Trust Agreement as an express condition of, and in consideration for, the execution of the Trust Agreement and the issuance of the Bonds.

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

Section 1.01. Definitions	1
Section 1.02. Interpretation	12

ARTICLE II

INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01. Amount of Indebtedness	13
Section 2.02. Designation of Obligations	13
Section 2.03. Execution and Authentication of Obligations	13
Section 2.04. Supplement Creating Indebtedness	14
Section 2.05. Conditions to Issuance of Obligations Hereunder	14

ARTICLE III

PARTICULAR COVENANTS OF THE OBLIGATED GROUP

Section 3.01. Security; Restrictions on Encumbering Pledged Assets; Payment of Principal and Interest	15
Section 3.02. Covenants as to Corporate Existence, Maintenance of Properties, Etc.	16
Section 3.03. Insurance	18
Section 3.04. Insurance and Condemnation Proceeds	19
Section 3.05. Limitations on Creation of Liens	20
Section 3.06. Limitations on Indebtedness	22
Section 3.07. Long-Term Debt Service Coverage Ratio	25
Section 3.08. Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts	25
Section 3.09. Consolidation, Merger, Sale or Conveyance	29
Section 3.10. Filing of Financial Statements, Certificate of No Default and Other Information	30
Section 3.11. Parties Becoming Members of the Obligated Group	31
Section 3.12. Withdrawal from the Obligated Group	32

MASTER TRUST INDENTURE

by and between

THE BRATTLEBORO RETREAT

and

CHITTENDEN TRUST COMPANY

as Master Trustee

Dated as of May 1, 2007

ARTICLE IV

DEFAULT AND REMEDIES

Section 4.01. Events of Default	33
Section 4.02. Acceleration; Annulment of Acceleration	34
Section 4.03. Additional Remedies and Enforcement of Remedies	35
Section 4.04. Application of Gross Receipts and Other Moneys after Default	36
Section 4.05. Remedies Not Exclusive	37
Section 4.06. Remedies Vested in the Master Trustee	38
Section 4.07. Holders' Control of Proceedings	38
Section 4.08. Termination of Proceedings	38
Section 4.09. Waiver of Event of Default	38
Section 4.10. Appointment of Receiver	39
Section 4.11. Remedies Subject to Provisions of Law	39
Section 4.12. Notice of Default	39

ARTICLE V

THE MASTER TRUSTEE

Section 5.01. Certain Duties and Responsibilities	39
Section 5.02. Certain Rights of Master Trustee	41
Section 5.03. Right to Deal in Obligations and Related Bonds	42
Section 5.04. Removal and Resignation of the Master Trustee	42
Section 5.05. Compensation and Reimbursement	43
Section 5.06. Recitals and Representations	43
Section 5.07. Separate or Co-Master Trustee	44
Section 5.08. Availability of Records	45

ARTICLE VI

SUPPLEMENTS AND AMENDMENTS

Section 6.01. Supplements Not Requiring Consent of Holders	46
Section 6.02. Supplements Requiring Consent of Holders	46
Section 6.03. Execution and Effect of Supplements	48

ARTICLE VII

SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01. Satisfaction and Discharge of Indenture	48
Section 7.02. Payment of Obligations after Discharge of Lien	49

ARTICLE VIII

CONCERNING THE HOLDERS

Section 8.01. Evidence of Acts of Holders	49
Section 8.02. Obligations or Related Bonds Owned by Members of Obligated Group	50
Section 8.03. Instruments Executed by Holders Bind Future Holders	50

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. Limitation of Rights	51
Section 9.02. Severability	51
Section 9.03. Holidays	51
Section 9.04. Governing Law	52
Section 9.05. Counterparts	52
Section 9.06. Immunity of Individuals	52
Section 9.07. Binding Effect	52
Section 9.08. Notices	52

THIS MASTER TRUST INDENTURE, made and entered into as of the 1st day of May, 2007, by and between The Brattleboro Retreat (the "Corporation"), a Vermont nonprofit corporation, and its legal successors, and Chittenden Trust Company, a Vermont chartered banking corporation duly qualified to accept and administer the trusts created hereby (the "Master Trustee").

WITNESSETH:

WHEREAS, the Corporation is authorized and deems it necessary and desirable to enter into this Indenture for the purpose of providing for the issuance from time to time by Members of the Obligated Group (as defined herein) of Obligations (as defined herein) to finance or refinance the acquisition or betterment of health care facilities or other facilities, or for other lawful and proper purposes; and

WHEREAS, all acts and things necessary to constitute this Indenture a valid indenture and agreement according to its terms have been done and performed, the Corporation has duly authorized the execution and delivery of this Indenture, and the Corporation, in the exercise of the legal rights and powers vested in it, executes this Indenture and proposes to make, execute, issue and deliver Obligations hereunder; and

WHEREAS, the Master Trustee agrees to accept and administer the trusts created hereby,

NOW, THEREFORE, in consideration of the premises, of the acceptance by the Master Trustee of the trusts hereby created, and of the giving of consideration for and acceptance of Obligations issued hereunder by the registered owners thereof, and for the purpose of fixing and declaring the terms and conditions upon which Obligations are to be issued, authenticated, delivered and accepted by all persons who shall from time to time be or become registered owners thereof, the Corporation covenants and agrees with the Master Trustee, for the equal and proportionate benefit of the respective registered owners from time to time of Obligations issued hereunder, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

Section 1.01. Definitions. For the purposes hereof unless the context otherwise indicates, the following words and phrases shall have the following meanings:

"Account Lien Amount" means the product of (x) the Coverage Factor multiplied by (y) an amount equal to the Obligated Group's net patient accounts (as shown in its audited Financial Statements for the preceding Fiscal Year).

NY1 622880-3

1

or any Affiliate, and which is a professional management consultant having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is acceptable to the Master Trustee.

"Corporate Charter" means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter or other organic document pursuant to which such corporation is organized and existing under the laws of the United States of America or any state thereof.

"Corporate Trust Office" means the office of the Master Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in Burlington, Vermont.

"Corporation" means The Brattleboro Retreat, an eligible institution under Chapter 131, Sections 3851 to 3862, inclusive, of Title 16, Vermont Statutes Annotated, organized and existing under the laws of the State, and its successors and assigns and any surviving, resulting or transferee corporation thereof.

"Corporation Property" means all capital assets of the Corporation wherever located, including without limitation any or all land, leasehold interests, buildings, fixtures, furnishings, equipment, personal property, hardware, supplies and inventory of the Corporation, whether separately or together with any other such assets, and all stock owned by the Corporation in any corporation which may own any such capital assets.

"Coverage Factor" means an amount determined in accordance with the following schedule:

Long-Term Debt Service Coverage Ratio for preceding Fiscal Year	Coverage Factor
greater than or equal to 4.0	100%
less than 4.0 but greater than or equal to 3.0	75%
less than 3.0 but greater than or equal to 2.0	50%
less than 2.0 but greater than or equal to 1.2	25%
less than 1.2	0%

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of Refunding other Indebtedness if the proceeds of such Refunding Indebtedness are irrevocably

NY1 622880-3

3

"Accounts" means any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which (i) is directly or indirectly controlled by any Member of the Obligated Group, or by any Person which directly or indirectly controls any Member of the Obligated Group or (ii) controls, directly or indirectly, any Member of the Obligated Group. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body by contract or otherwise.

"Agency" means the Vermont Educational and Health Buildings Financing Agency, a body corporate and politic consulting a public instrumentality of the State of Vermont, and any successor thereto.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness twenty-five percent (25%) or more of the principal payments of which are due in a single year or forty percent (40%) or more of the principal payments of which are due over two consecutive years, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such year.

"Capitalization" means the sum of the aggregate Long-Term Indebtedness of the Members of the Obligated Group, plus the aggregate unrestricted fund balance of the nonprofit Members of the Obligated Group and plus, without duplication, the aggregate excess of assets over liabilities of the for-profit Members of the Obligated Group, if any, all as calculated in accordance with generally accepted accounting principles.

"Code" means the Internal Revenue Code of 1986, as amended.

"Completion Indebtedness" means any Long-Term Indebtedness incurred for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions hereof, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

"Consultant" means a firm or firms which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of any Member of the Obligated Group

NY1 622880-3

2

deposited in escrow to secure the payment on the applicable redemption date or maturity date of the Refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such Refunding Indebtedness until the Cross-over Date.

"Defeasance Obligations" means (i) noncallable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations and (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers which are rated the highest rating by Standard & Poor's Ratings Services and Moody's Investors Service, respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent (pursuant to an agreement which may not be amended to provide for redemption on an earlier date than that originally contemplated by the parties thereto on the date such agreement was first executed) of (i) noncallable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Defeased Obligations" means Obligations issued under a Supplement that have been discharged, or provision for the discharge of which has been made, pursuant to their terms.

"Derivative Indebtedness" means all or any portion of Indebtedness of a Member of the Obligated Group which bears interest at a variable rate such Member of the Obligated Group on which is calculated at a varying rate per annum for any future period of time or the requirements set forth in clauses (i) and (ii) below:

(i) the Member of the Obligated Group issuing such Indebtedness shall have issued or entered into a Hedge Agreement in respect of all or such portion of such Indebtedness within sixty (60) days of the date of issuance of such Indebtedness, and

(ii) such Hedge Agreement provides that during the entire period that such Indebtedness bears interest at a variable rate such Member of the Obligated Group will pay a fixed rate and the provider of the Hedge Agreement will pay the variable rate borne by such Indebtedness or such Indebtedness, taken together

NY1 622880-3

4

with the Hedge Agreement, results in a net fixed rate payable by such Member of the Obligated Group for such period of time (the "Hedged Fixed Rate"), assuming such member of the Obligated Group and the party(ies) with whom such Member of the Obligated Group has entered into the Hedge Agreement make all payments required to be made by the terms of the Hedge Agreement.

"Event of Default" means, with respect to this Indenture, any one or more of those events set forth in Section 4.01 hereof.

"Financial Statements" means the consolidated or combined financial statements of the Obligated Group as reported upon by a firm of independent certified public accountants.

"Fiscal Year" means the fiscal year of the Obligated Group, which shall be the period commencing on January 1 of any year and ending on December 31 of the same year unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice; provided, however, that each Member of the Obligated Group shall have the same Fiscal Year.

"Governing Body" means, when used with respect to any Member of the Obligated Group, its board of directors, board of trustees or other board or group of individuals in which the powers of such Member of the Obligated Group are vested.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations affecting any Member of the Obligated Group or its health care facilities placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Obligated Group or (ii) the timing of the receipt of such revenues.

"Gross Receipts" means all Accounts and all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from the operations of any Member of the Obligated Group, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions and the income therefrom to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by this Indenture, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or hospital insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property.

NY1 622801-3

5

"Insurance Consultant" means a firm or person which is not, and no member, stockholder, director, officer or employee of which is, an officer or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations and, if being retained to evaluate alternative risk management programs, including self-insurance, which has a favorable national reputation.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Obligated Group which secures any Indebtedness or any other obligation of any Member of the Obligated Group or which secures any obligation of any Person, other than an obligation to any Member of the Obligated Group.

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing the Income Available for Debt Service by Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal of and interest on Outstanding Long-Term Indebtedness of the Obligated Group during such period, also taking into account (i) with respect to Balloon Long-Term Indebtedness the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of twenty (20) years (or, if the term thereof exceeds twenty (20) years, over a period equal to such term) on a level debt service basis at an interest rate set forth in an opinion of a banking institution, a financial advisory firm or an investment banking institution knowledgeable in health care finance delivered to the Master Trustee as the interest rate at which the Obligated Group could reasonably expect to borrow the same by issuing an Obligation with the same term as assumed above, or, if a binding alternative redemption or prepayment schedule has been established between a Member of the Obligated Group and a credit enhancement provider, then the amount of principal required to be redeemed or prepaid in such period pursuant to such schedule shall be the amount of principal taken into account; provided, however, that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness and no binding commitment exists to refinance such Indebtedness or sufficient moneys have not been segregated to pay such Indebtedness at its actual maturity, the full amount of principal payable at maturity shall be included in such calculation, (ii) with respect to Variable Rate Indebtedness that is Long-Term Indebtedness the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above and (iii) with respect to Derivative

NY1 622801-3

7

"Guaranty" means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness hereunder. For the purposes of this Indenture, a Guaranty shall be valued at twenty percent (20%) of the obligation so guaranteed at the interest rate borne by such obligation on the date calculated; provided, however, that for purposes of determining whether a Member of the Obligated Group may incur a Guaranty, such Guaranty shall be valued at one hundred percent (100%) of the principal amount of the obligation so guaranteed at the interest rate borne by such Indebtedness on the date calculated; and further provided that in the event such Guaranty shall have been drawn upon or for so long as any default shall have occurred and be continuing with respect to the obligation so guaranteed, such Guaranty shall be valued at one hundred percent (100%) of the principal amount of the obligation so guaranteed at the interest rate borne by such obligation on the date calculated for a period ending two (2) years after the date that such Guaranty was drawn upon.

"Hedge Agreement" means an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Indebtedness.

"Hedged Fixed Rate" means Hedged Fixed Rate as defined in the definition of Derivative Indebtedness.

"Holder" means the owner of any Obligation issued in registered form.

"Income Available for Debt Service" means, with respect to the Obligated Group, as to any Fiscal Year, the excess of revenues over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that no determination thereof shall take into account unrealized gains or losses on investments, including charges to income resultant from a determination of impaired assets, market revaluations of Hedge Agreements, any gain or loss resulting from either the extinguishment of Indebtedness, revaluations of unfunded pension liabilities or the sale, exchange or other disposition of plant and equipment not made in the ordinary course of business; and provided further, however, that revenues shall not include income from the investment of funds held in a Qualified Escrow.

"Indebtedness" means (i) all Indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations, incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties (other than any Guaranty by any Member of the Obligated Group of Indebtedness of any other Member of the Obligated Group), whether constituting Long-Term Indebtedness or Short-Term Indebtedness. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

NY1 622801-3

6

Indebtedness, the interest on such Indebtedness shall be calculated at the Hedged Fixed Rate; provided, however, that interest shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness and provided further, however, that notwithstanding the foregoing, the aggregate of the payments to be made with respect to principal of and interest on Outstanding Long-Term Indebtedness shall not include principal and interest payable from funds available (without reinvestment) in a Qualified Escrow (other than principal and interest so payable solely by reason of the Obligated Group's failure to make payments from other sources).

"Long-Term Indebtedness" means all obligations for borrowed money incurred or assumed by any Member of the Obligated Group, including Guaranties (except Guaranties of obligations of any Member of the Obligated Group by another Member of the Obligated Group), Short-Term Indebtedness if a binding commitment by an institutional lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness, and the current portion of Long-Term Indebtedness, for any of the following:

- (i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one (1) year;
- (ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one (1) year; and
- (iii) installment sale or conditional sale contracts having an original term in excess of one (1) year;

provided, however, that any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member of the Obligated Group, constitute Short-Term Indebtedness, shall be excluded.

"Machinery and Equipment" means all personal property of the Corporation constituting machinery and equipment owned by the Corporation as of June 1, 2007, and any substitutions, replacements, products and proceeds thereof, including the proceeds of any insurance policies with respect thereto.

"Master Trustee" means Chitenden Trust Company, Burlington, Vermont, in the trust created hereunder.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for the then current or any succeeding Fiscal Year.

NY1 622801-3

8

"Member of the Obligated Group" means, initially, the Corporation and, thereafter, any Person which shall become a Member of the Obligated Group in accordance with Section 3.11 of this Indenture excluding any Person which shall have withdrawn from the Obligated Group in accordance with Section 3.12 of this Indenture.

"Net Book Value", when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of Property, Plant and Equipment or other Property is included more than once.

"Non-Recourse Indebtedness" means any indebtedness secured by a Lien, the liability for which is effectively limited to the Property, the purchase or acquisition of, in the case of vacant land only, the improvement of which was financed with the proceeds of such Non-Recourse Indebtedness and which is subject to such Lien with no recourse, directly or indirectly, to any other Property of any Member of the Obligated Group.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligated Group Representative" means the Person at the time designated to act on behalf of the Obligated Group in a written certificate furnished to the Master Trustee, which certificate shall contain a specimen signature of such Person and shall be signed on behalf of the Obligated Group by the President of the Corporation or by his designee.

"Obligation" means the evidence of particular indebtedness issued hereunder.

"Officer's Certificate" means a certificate signed by (i) the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body of each Member of the Obligated Group or (ii) the Obligated Group Representative. Each Officer's Certificate presented under this Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of) this Indenture and shall incorporate by reference and use in all appropriate instances all terms defined in Section 1.01 in this Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered, or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance, and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Assets" means any or all land, leasehold interests, buildings, machinery, equipment, hardware, and inventory of each Member of the Obligated Group used in its

respective trades or businesses, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Master Trustee and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Master Trustee, who may be counsel for any Member of the Obligated Group or other counsel acceptable to the Master Trustee.

"Outstanding", when used with reference to Indebtedness, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding and (iii) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser.

"Permitted Liens" means those Liens or liens described in Section 3.05 hereof.

"Person" means an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Pledged Assets" means all Gross Receipts of the Members of the Obligated Group, now owned or hereafter acquired, and all proceeds thereof, and all Machinery and Equipment of the Members of the Obligated Group, and all proceeds thereof.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

"Put Indebtedness" means Long-Term Indebtedness twenty-five percent (25%) or more of the principal of which is required, at the option of the owner thereof, to be purchased or redeemed at one time.

"Qualified Escrow" means a segregated escrow fund or other similar fund or account which (a) is irrevocably established as security for Long-Term Indebtedness previously incurred and then outstanding (herein referred to as "Prior Indebtedness") or for Long-Term Indebtedness, if any, then to be incurred to refund Outstanding Prior Indebtedness (herein referred to as

"Refunding Indebtedness"), is held by the holder of the Prior Indebtedness or Refunding Indebtedness secured thereby or by a trustee or agent acting on behalf of such holder and is subject to a perfected security interest in favor of such holder, trustee or agent, (b) is held in cash or invested in Defeasance Obligations, and (c) is required by the documents establishing such fund or account to be applied toward the Obligated Group's payment obligations in respect of the Prior Indebtedness, provided that, if the fund or account is funded in whole or in part with the proceeds of Refunding Indebtedness, the documents establishing the same may require specified payments of principal or interest (or both) in respect of the Refunding Indebtedness to be made from the fund or account prior to the date on which the Prior Indebtedness is repaid in full.

"Related Bond Indenture" means any indenture, bond purchase agreement, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds.

"Related Bonds" means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer"), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to (i) a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer, or (ii) any Person other than a Member of the Obligated Group in consideration of the issuance to such governmental issuer (A) by such Person of any indebtedness or other obligation of such Person, and (B) by a Member of the Obligated Group of a Guaranty in respect of such indebtedness or other obligation, which Guaranty is represented by an Obligation.

"Related Bond Trustee" means the trustee or bond purchaser and its successors in the trusts created under any Related Bond Indenture.

"Short-Term Indebtedness" means all obligations, other than any Guaranty of an obligation of a Person which is a Member of the Obligated Group and the current portion of Long-Term Indebtedness, but including any Guaranty by any Member of the Obligated Group of any obligation of any Person, which obligation would, if it were a direct obligation of such Member, constitute indebtedness due within one year, incurred or assumed by one or more Members of the Obligated Group, for any of the following:

(i) payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one (1) year or less;

(ii) payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at

the option of the lessee for a period from the date originally incurred, of one (1) year or less; and

(iii) payments under installment purchase or conditional sale contracts having an original term of one (1) year or less.

"State" means the State of Vermont.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Indenture.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Total Operating Revenues" means, with respect to the Obligated Group, as to any period of time, total operating revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate.

Section 1.02. Interpretation. (a) Any reference herein to any officer or member of the Governing Body of a Member of the Obligated Group shall include those succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) Unless the context otherwise indicates, words importing the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender.

(c) Where the character or amount of any asset, liability or item of income or expense is required to be determined or any consolidation, combination or other accounting computation is required to be made for the purposes hereof or of any agreement, document or certificate executed and delivered in connection with or pursuant to this Indenture, the same shall be done in accordance with generally accepted accounting principles.

(d) Headings of articles and sections herein and in the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(e) Provisions calling for the redemption of Obligations or the calling of Obligations for redemption do not mean or include the payment of Obligations at their stated maturity or maturities.

(f) Provisions calling for or referring to the delivery by each Member of the Obligated Group of financial statements for any given period shall be deemed satisfied if the combined or consolidated financial statements for such period, prepared in accordance with generally accepted accounting principles, of such entities are so delivered.

ARTICLE II

INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01. Amount of Indebtedness. Each Member of the Obligated Group may incur indebtedness by issuing Obligations hereunder or by creating indebtedness under any other document. The principal amount of indebtedness created under other documents and the number and principal amount of Obligations evidencing indebtedness that may be created hereunder are not limited, except as limited by the provisions hereof, including Section 3.06, or of any Supplement. Any Member of the Obligated Group proposing to incur Long-Term Indebtedness, whether evidenced by Obligations issued hereunder or indebtedness created under any other documents, shall, at least seven (7) days prior to the date of the incurrence of such Long-Term Indebtedness, give written notice of its intention to incur such Long-Term Indebtedness, including in such notice the amount of indebtedness to be incurred, to the other Members of the Obligated Group and to the Master Trustee. The Master Trustee shall promptly furnish each Related Bond Trustee with a copy of each such notice. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation.

Section 2.02. Designation of Obligations. Obligations shall be issued in such forms as may from time to time be created by Supplements permitted hereunder. Each Obligation or series of Obligations shall be created by a different Supplement and shall be designated in such a manner as will differentiate such Obligation from any other Obligation.

Section 2.03. Execution and Authentication of Obligations. Each Obligation shall be executed for and on behalf of the issuer thereof, by the chairman of its Governing Body, its president or a vice president and attested by its secretary or an assistant secretary. The signatures of either or both of such officers may be mechanically or photographically reproduced on the Obligation. If any officer whose signature appears on any Obligation ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Each Obligation shall be manually

NY1 422382a-3

13

(c) Each Member of the Obligated Group shall have delivered to the Master Trustee an Officer's Certificate stating that, to the best of the knowledge of the signer thereof, each of the Persons who is to be a Holder of such Obligation upon the original issuance thereof is not acquiring the interest represented by such Obligation directly or indirectly with the assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (i) any employee of any Member of the Obligated Group or the Master Trustee, in its individual capacity, is a participant or (ii) any Member of the Obligated Group or the Master Trustee, in its individual capacity, or any of their affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE III

PARTICULAR COVENANTS OF THE OBLIGATED GROUP

Section 3.01. Security; Restrictions on Encumbering Pledged Assets; Payment of Principal and Interest. (a) Any Obligation issued pursuant to this Indenture shall be a general obligation of the issuer of such Obligation.

To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations hereunder, each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Pledged Assets. Prior to its receipt of a request from the Master Trustee pursuant to Section 3.01(d) of this Indenture, any Member of the Obligated Group may sell, or incur indebtedness secured by, all or any part of its Pledged Assets free of such security interest, subject, however, to the provisions of Sections 3.05, 3.06, 3.08 and 3.09 of this Indenture. In the event of such sale or incurrence of indebtedness, upon request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so sold or pledged as security for such indebtedness. Upon the request of any Member of the Obligated Group, the Master Trustee will provide to such Member of the Obligated Group a written certification as to whether there is currently outstanding a request from the Master Trustee pursuant to Section 3.01(d) of this Indenture.

At least one (1) business day prior to the delivery of the first Obligation hereunder, there shall be delivered to the Master Trustee duly executed financing statements to evidence the aforementioned security interests in the form required by the Vermont Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State in Montpelier, Vermont.

Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to this Indenture as may be necessary or appropriate to include as security hereunder its Pledged Assets. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be

NY1 422382a-3

15

authenticated by an authorized officer of the Master Trustee, without which authentication no Obligation shall be entitled to the benefits hereof.

The Master Trustee's authentication certificate shall be substantially in the following form:

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Master Trustee hereby certifies that this Obligation No. _____ is one of the Obligations described in the within-mentioned Indenture.

Chittenden Trust Company,
as Master Trustee

By _____
Authorized Signatory

Section 2.04. Supplement Creating Indebtedness. Any Member of the Obligated Group and the Master Trustee may from time to time enter into a Supplement in order to create indebtedness hereunder. Such Supplement shall, with respect to an Obligation evidencing indebtedness created thereby, set forth the date thereof, and the date or dates on which the principal of, redemption premium, if any, and interest on such Obligation shall be payable, and the form of such Obligation and such other terms and provisions as shall conform with the provisions hereof.

Section 2.05. Conditions to Issuance of Obligations Hereunder. With respect to indebtedness created hereunder, simultaneously with or prior to the execution, authentication and delivery of Obligations evidencing such indebtedness pursuant to this Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplement and in this Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate, a certified copy of which shall be delivered to the Master Trustee;

(b) The issuer of such Obligations shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (i) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of this Indenture or the Supplement under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (ii) the Master Indenture and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency and other laws affecting creditors' rights generally and usual equity principles; and

NY1 422382a-3

14

necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to Section 3.11 of this Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to Section 3.12 of this Indenture. In particular, each Member of the Obligated Group covenants that it will, at least thirty (30) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to comply with applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least twenty-five (25) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in the Pledged Assets shall remain perfected.

(b) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in (except as provided in (a) above and as may be otherwise provided in this Indenture) any of its Pledged Assets.

(c) Each Obligation shall be a joint and several obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants promptly to pay or cause to be paid the principal of, redemption premium, if any, and interest on each Obligation issued hereunder at the place, on the dates and in the manner provided herein, in the Supplement and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

(d) Each Member of the Obligated Group covenants that, subject to the rights, if any, of holders of Permitted Liens, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Receipts until such Event of Default has been cured, such Gross Receipts to be applied in accordance with Section 4.04 of this Indenture.

Section 3.02. Covenants as to Corporate Existence, Maintenance of Properties, Etc. Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(b) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection

NY1 422382a-3

16

shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Indebtedness created and Outstanding hereunder) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities (other than those of a type for which accreditation is not available) by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this Section 3.02(g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as this Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, to take no action or to fail to take any action which

17

participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by such Consultant not less frequently than annually. If the Insurance Consultant determines that the anticipated funding of any self-insurance fund is not actuarially sound, the Obligated Group covenants that it will fund such self-insurance fund in the manner recommended by the Insurance Consultant.

Section 3.04. Insurance and Condemnation Proceeds. Amounts received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement, subject to compliance with the provisions hereof; provided that if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds ten percent (10%) of the Book Value of the Property, Plant and Equipment of the Obligated Group, each Member of the Obligated Group agrees that it will immediately notify the Master Trustee and that it will, within one hundred twenty (120) days after the casualty loss or taking, deliver to the Master Trustee:

(a) (i) An Officer's Certificate certifying the expected Long-Term Debt Service Coverage Ratio for each of the two (2) periods of twelve (12) full consecutive calendar months following the date on which such proceeds or awards are expected to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.25, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based, along with the Officer's Certificate, and certifying further that the amount of such proceeds or awards, together with other available funds of the Obligated Group, shall be sufficient to pay the estimated replacement cost, which estimate shall be confirmed in an independent architect's report, and (ii) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds twenty percent (20%) of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(b) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (a) of this section to be not less than 1.25, or, if in the opinion of the Consultant the attainment of such level is impracticable, at the highest practicable level which shall not be less than 1.00.

NY 1427861-3

19

action or failure to act (including any action or failure to act which would result in the alteration or loss of its status as a Tax-Exempt Organization) in the Opinion of Bond Counsel, would result in the interest on any Related Bond becoming included in the gross income of the holder thereof for federal income tax purposes.

(i) To maintain at all times cash, cash equivalents and unrestricted investments in an amount at least equal to 20 days of operating expenses, as determined from the most recent Financial Statements. Unrestricted investments shall mean those funds not immediately available for debt service through agreements with other parties. Operating expense shall exclude depreciation, amortization and other non-cash charges.

Section 3.03. Insurance. (a) Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, such insurance with respect to the operation and maintenance of its Property (including one or more self-insurance programs considered by an Insurance Consultant to be reasonable and appropriate) of such type and in such amounts as are normally carried by hospital facilities of similar type and size and against such risks as are customarily insured against in connection with hospital operations and hospital facilities of similar type and size, including, but not limited to: (i) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned and hired automobiles (excluding collision and comprehensive coverage thereof), (ii) professional liability or medical malpractice insurance, (iii) fire, flood, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements and business interruption insurance covering such periods, (iv) workers' compensation insurance and (v) boiler insurance.

(b) The Obligated Group shall retain an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than triennially). If the Insurance Consultant makes recommendations for the increase of any coverage, the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Obligated Group Representative that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this Section to the contrary, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to

NY 1427861-3

18

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions described in subsection (a), or the recommendations described in subsection (b), of this section.

Section 3.05. Limitations on Creation of Liens. (a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien upon Pledged Assets or on Property now owned or hereafter acquired by it other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) The Lien on the Pledged Assets created by Section 3.01(a) of this Indenture;

(ii) Liens arising by reason of good faith deposits with any Member of the Obligated Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Obligated Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(iii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Obligated Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iv) Any judgment lien of less than \$250,000 against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed and any judgment lien which is certified by an Officer's Certificate to be fully covered by adequate insurance or funded reserves of the Obligated Group;

(v) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any Liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with

NY 1427861-3

20

such Property, which are not due and payable or which are not delinquent, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors have been due for fewer than one hundred eighty (180) days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (D) to the extent that it affects title to any Property, this Indenture; and (E) landlord's liens;

(vi) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under this Indenture;

(vii) Any Lien on pledges, gifts or grants (which do not constitute Gross Receipts) to be received in the future including any income derived from the investment thereof;

(viii) (x) Any Lien on inventory securing Short-Term Indebtedness which does not exceed twenty-five percent (25%) of the Book Value thereof or (y) any Lien on marketable investment securities securing Short-Term Indebtedness which does not exceed twenty-five percent (25%) of the fair market value thereof;

(ix) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(x) Any Lien securing all Obligations on a parity basis;

(xi) Any Liens subordinate to the lien described in clause (x) of this subsection and required by a statute under which a Related Bond is issued;

(xii) Liens on moneys deposited by patients or others with any Member of the Obligated Group as security for or as prepayment for the cost of patient care;

(xiii) Liens on Property received by any Member of the Obligated Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xiv) Liens on Property due to rights of third party payors for reimbursement of amounts paid to any Member of the Obligated Group;

(xv) Rights of the United States of America under Title 42 United States Code Section 291i;

(xvi) Any Lien securing Non-Recourse Indebtedness permitted by Section 3.06(g) hereof;

(xvii) Any Lien on Accounts that are sold pursuant to Section 3.08(c) hereof or that are pledged to secure Indebtedness permitted by Section 3.06(d) or 3.06(h) hereof; and

(xviii) Any Lien securing a Hedge Agreement.

Section 3.06. Limitations on Indebtedness. Each Member of the Obligated Group covenants and agrees that, after the issuance and delivery of Obligation No. 1, Obligation No. 2, Obligation No. 3 and Obligation No. 4 hereunder, each dated as of May 1, 2007, it will not incur any Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to subsections (a) to (h), inclusive, of this Section 3.06, and it will not incur any Long-Term Indebtedness if, immediately after the incurrence of the proposed Long-Term Indebtedness, the aggregate principal amount of all Long-Term Indebtedness would exceed seventy percent (70%) of Capitalization. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness one of the following conditions is met:

(i) there is delivered to the Master Trustee an Officer's Certificate (accompanied by the historical audited financial report(s) of the independent certified public accountants mentioned below) certifying that the Long-Term Debt Service Coverage Ratio, taking all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness then proposed to be incurred into account as if it had been incurred at the beginning of such period, for the most recent period of twenty-four (24) full consecutive calendar months preceding the date of delivery of such Officer's Certificate for which the Financial Statements have been reported upon by independent certified public accountants, is not less than 1.35; or

(ii) (A) there is delivered to the Master Trustee an Officer's Certificate (accompanied by the historical audited financial report(s) of the independent certified public accountants mentioned below) certifying that the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then to be incurred for the most recent period of twenty-four (24) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.25; and (B) there shall be filed with the Master Trustee the report of a Consultant to the effect

NY1422863-3

that the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (i) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two (2) periods of twelve (12) full consecutive calendar months succeeding the date on which such capital improvements are expected to be in operation, or (ii) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two (2) periods of twelve (12) full consecutive calendar months succeeding the date on which the Indebtedness is incurred, is not less than 1.35, in each case as shown by forecasted balance sheets, statements of revenues and expenses and statements of changes in financial position for each such period, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based; provided, however, that if the Long-Term Debt Service Coverage Ratio calculated pursuant to this clause (a)(i)(B) is greater than 1.50, an Officer's Certificate may be substituted for the required Consultant's report.

(b) Completion Indebtedness may be incurred without limitation; provided, however, that prior to the incurrence of Completion Indebtedness, the Obligated Group Representative shall furnish to the Master Trustee: a certificate of an architect estimating the cost of completing the facilities for which Completion Indebtedness is to be incurred; a certificate of the chief financial officer of the Member of the Obligated Group for which Completion Indebtedness is to be incurred certifying that the amount of Completion Indebtedness to be incurred will be sufficient, together with other funds, if applicable, to complete construction of the facilities in respect of which Completion Indebtedness is to be incurred.

(c) Long-Term Indebtedness may be incurred for the purpose of refunding any Outstanding Long-Term Indebtedness without limitation if, prior to the incurrence of such Long-Term Indebtedness, there is delivered to the Master Trustee an Opinion of Counsel stating that upon the incurrence of such proposed Long-Term Indebtedness and application of the proceeds thereof (on the Cross-over Date, in the case of Cross-over Refunding Indebtedness), the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding.

(d) Short-Term Indebtedness may be incurred if immediately after the incurrence of such Indebtedness the aggregate Outstanding principal amount of all such Indebtedness (exclusive of the Short-Term Indebtedness described in the last proviso hereof) plus the current portion of Long-Term Indebtedness does not exceed fifteen percent (15%) of the Total Operating Revenues for the most recent period of twelve (12) consecutive calendar months for which the Financial Statements have been reported upon by independent certified public accountants; provided, however, that there shall be a period of at least twenty (20) consecutive calendar days during each such period of twelve (12) consecutive calendar months during which all Short-Term Indebtedness, other than Short-Term Indebtedness incurred pursuant to subsection (h) of this Section 3.06 and Short-Term Indebtedness incurred to offset a temporary

NY1422863-3

NY1422863-3

delay in the receipt of funds due from third-party payors and Short-Term Indebtedness incurred in reasonable anticipation of the issuance of Long-Term Indebtedness, shall not exceed five percent (5%) of such Total Operating Revenues; provided, however, that the Corporation's outstanding Short-Term Indebtedness may include a bank line of credit, as such line may be renewed, which may remain Outstanding, without regard to the volume and payday requirements set forth in this Section 3.06(d), up to an amount not to exceed \$2,000,000 at any one time.

(e) Indebtedness may be incurred without limitation by any Member of the Obligated Group under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit enhancement facility established in connection with the issuance of any Obligations or Related Bonds; provided, however, if such liquidity facility is used or drawn upon to purchase, but not retire Obligations or Related Bonds, then the liability represented by such use or draw by the Member of the Obligated Group shall be included in Indebtedness as of the date of such use or draw and the principal amount of the Obligations or Related Bonds so purchased shall be excluded for all other purposes of this Master Indenture.

(f) Put Indebtedness may be incurred, if prior to the incurrence of such Put Indebtedness (i) the conditions described in subsection (a)(i) or subsections (a)(i)(A) and (a)(i)(B) of this Section 3.06 are met and (ii) a binding commitment from a bank or other financial institution exists to provide financing sufficient to pay the purchase price or principal of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness; provided, however, that no repayments of any principal amounts drawn under such facility for liquidity purposes are required for at least one year from the date of the related drawing.

(g) Non-Recourse Indebtedness may be incurred upon delivery to the Master Trustee of an Officer's Certificate (accompanied by the report of the independent certified public accountants mentioned below) certifying (i) that the amount of Non-Recourse Indebtedness (including the Non-Recourse Indebtedness to be incurred in connection with such certification) incurred during the most recent period of twelve (12) consecutive calendar months for which the Financial Statements have been reported upon by independent certified public accountants is not in excess of an aggregate of twenty percent (20%) of Total Revenues during such period, and (ii) that the incurrence of such Non-Recourse Indebtedness will not result in a violation of Section 3.07 hereof.

(h) Indebtedness secured by Accounts may be incurred if prior to the incurrence of such Indebtedness there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative certifying that immediately after the incurrence of such Indebtedness, the amount of Accounts that have been pledged to secure Indebtedness that has been issued pursuant to this paragraph (h) and is then Outstanding will not exceed 25% of the Obligated Group's net patients accounts, as shown on the Financial Statements for the previous Fiscal Year; provided, however, that (A) the determination of whether a disposition of Accounts

NY1422863-3

is a sale or loan shall be made in accordance with generally accepted accounting principles and (B) any indebtedness issued pursuant to this provision shall be considered to be Short-Term Indebtedness subject to the incurrence test set forth in Section 3.06(f) hereof.

Section 3.07. Long-Term Debt Service Coverage Ratio. (a) Each Member of the Obligated Group covenants to set rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by clause (a) hereof is not met, the Obligated Group covenants immediately to retain a Consultant acceptable to the majority of the beneficial owners of Obligation No. 1 to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Each Member of the Obligated Group agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by law, this Section 3.07 shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level; provided, however, the revenues of the Obligated Group shall not be less than the amount required in cash to pay the total operating expenses of the Obligated Group and to pay the debt service on all Indebtedness of the Obligated Group for such Fiscal Year.

(c) If a report of a Consultant is delivered to the Master Trustee, which report shall state that Governmental Restrictions have been imposed which make it impossible for the coverage requirement in clause (a) hereof to be met, then such coverage requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

Section 3.08. Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts. (a) Each Member of the Obligated Group agrees that it will not transfer Operating Assets in any twelve (12) month period for which Financial Statements will be reported upon by an independent certified public accountant, except for Transfers:

(i) To any Person, of Operating Assets (A) that the Obligated Group has ceased to operate pursuant to Section 3.02(b) hereof and (B) the Net Book Value of which, in the aggregate for such twelve-month period, does not exceed

NY1 632289-3

25

Transfer, cash, services or Property equal to the fair market value of the asset so transferred (fair market value of real property with a value in excess of \$100,000 as determined by an Officer's Certificate shall be evidenced by a written report of an independent appraiser reasonably acceptable to the Master Trustee which report shall state the fair market value as of a date not more than one (1) year prior to the date as of which such fair market value is being determined), and (B) if the fair market value of the asset to be transferred exceeds five percent (5%) of the unrestricted fund balance of the Obligated Group as shown on the Financial Statements for the most recent period of twelve (12) full consecutive calendar months for which such Financial Statements were reported upon by independent certified public accountants, then there shall be delivered to the Master Trustee prior to such Transfer either:

(i) an Officer's Certificate (accompanied by the Financial Statements mentioned below) certifying that the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which Financial Statements are available, is not less than 1.25 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place; or

(ii) the report of a Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking such Transfer into account, for each of the two (2) periods of twelve (12) full consecutive calendar months succeeding the date on which such Transfer is expected to occur, and the Long-Term Debt Service Coverage Ratio for each such period is not less than 1.25 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place, accompanied by a statement of the relevant assumptions upon which such forecasts are based.

Each Member of the Obligated Group covenants to maintain records adequate to enable the Master Trustee to ascertain that the provisions of paragraph (v) above have been complied with and to make such records available to the Master Trustee upon written request.

(b) Each Member of the Obligated Group agrees that it will not transfer cash or investments, except for Transfers of cash and investments by any Member of the Obligated Group:

(i) To another Member of the Obligated Group without limit.

(ii) To any Person if there shall be filed with the Master Trustee an Officer's Certificate, accompanied by and based upon Financial Statements for the most recent period of twelve (12) full consecutive calendar months for which

NY1 632289-3

27

ten percent (10%) of the unrestricted fund balance (plus the excess of assets over liabilities of for-profit Members of the Obligated Group, if applicable) of the Obligated Group, as shown on the Financial Statements for the most recent period of twelve (12) full consecutive calendar months for which such Financial Statements are available.

(ii) To any Person if, prior to the sale, lease or other disposition, there is delivered to the Master Trustee an Officer's Certificate stating that, in the judgment of the signer, such Operating Assets have become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Operating Assets; provided, however, that no Officer's Certificate shall be required to be delivered to the Master Trustee with respect to the Transfer of any Operating Assets having a Net Book Value in the aggregate of less than two percent (2%) of the unrestricted fund balance (plus the excess of assets over liabilities of for-profit Members of the Obligated Group, if applicable) of the Obligated Group, as shown on the Financial Statements for the most recent period of twelve (12) full consecutive calendar months for which Financial Statements are available.

(iii) To another Member of the Obligated Group without limit.

(iv) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer either:

(A) an Officer's Certificate (accompanied by the Financial Statements mentioned below) certifying that the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses derived from the Operating Assets proposed to be disposed of, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which Financial Statements are available, is not less than 1.25 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place; or

(B) the report of a Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking such Transfer into account, for each of the two (2) periods of twelve (12) full consecutive calendar months succeeding the date on which such Transfer is expected to occur, is not less than 1.30 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place, accompanied by a statement of the relevant assumptions upon which such forecasts are based.

(v) To any Person provided that (A) the Member of the Obligated Group proposing to make such Transfer shall receive, as consideration for such

NY1 632289-3

26

such Financial Statements are available, demonstrating (i) that the Long-Term Debt Service Coverage Ratio for the period commencing with the Fiscal Year in which such accumulated amount became available and ending with the Fiscal Year preceding the year of such Transfer would not be reduced below 1.25 if the amount of the proposed Transfer was deducted from Income Available for Debt Service for such period, and (ii) that the Long-Term Debt Service Coverage Ratio for such period would not be reduced below 1.25 if the amount of the proposed Transfer were deducted from Income Available for Debt Service for such period; provided, however, that in each twelve (12) month period in which the amount of cash and investments transferred pursuant to this clause (b) is less than the amount permitted to be transferred pursuant to this clause (ii), the amount permitted to be transferred but untransferred may be accumulated for Transfer in a future year or years, provided that when any or all of such accumulated amount is transferred, there shall be filed with the Master Trustee an Officer's Certificate demonstrating (i) that the Long-Term Debt Service Coverage Ratio for the period commencing with the Fiscal Year in which such accumulated amount became available and ending with the Fiscal Year preceding the year of such Transfer would not be reduced below 1.25 if the amount of the proposed Transfer were deducted from Income Available for Debt Service for such period and (ii) that the accumulated amount so transferred will not reduce the cash and investments of the Obligated Group as shown on the Financial Statements for the most recent twelve (12) month period by more than thirty-five percent (35%) or to an amount below the cash and investments for the twelve (12) month period when such accumulation began as shown on the Financial Statements for such twelve (12) month period, and provided further, however, that no such Transfer shall reduce the remaining cash and unrestricted investments to a level at or below 20 days' operating expenses, as defined in Section 3.02(i) hereof.

(iii) To any Person provided that, the Member of the Obligated Group proposing to make such Transfer shall receive, and if requested by the Master Trustee can demonstrate in an Officer's Certificate filed with the Master Trustee that the Member of the Obligated Group shall receive, as consideration for such Transfer Property, cash, securities or services the fair market value of which is at least equal to the amount of the cash, securities and other investment properties so transferred; provided, however, that in the case of a Transfer involving forgiveness of debt in connection with physician contracts which contain, as compensation, a loan, the forgiveness of which is contingent upon the completion by said physician of a term of service as specified in such physician contracts, services received or to be received by the Member of the Obligated Group in the event of completion of such term of service are, presumptively, equal to at least the fair market value of such forgiveness of debt and provided further, however, that no such Transfer shall reduce the remaining cash and unrestricted investments to a level at or below 30 days' operating expenses.

NY1 632289-3

28

(iv) To any Person or Persons in an aggregate amount not to exceed \$1,000,000 in any Fiscal Year.

(c) Each Member of the Obligated Group agrees that it will not transfer Accounts; provided, however, that prior to its receipt of a request from the Master Trustee pursuant to Section 3.01(d) hereof any Member of the Obligated Group will have the right to sell, in any Fiscal Year, its patient Accounts in an amount not to exceed the difference between (i) the Account Lien Amount and (ii) the amount of Accounts that have been pledged to secure outstanding indebtedness incurred by any Member of the Obligated Group pursuant to Section 3.06(d) or 3.06(h) hereof, if such Member of the Obligated Group shall (i) receive as consideration for such sale cash, services or Property equal to the fair market value of the accounts receivable so sold, as certified to the Master Trustee in an Officer's Certificate of such Member of the Obligated Group and (ii) deliver to the Master Trustee a statement from the Obligated Group's certified public accountants that such sale of patient Accounts constitutes a "sale" under generally accepted accounting principles.

(d) Notwithstanding the foregoing provisions of this section, nothing herein shall be construed as limiting the ability of any Member of the Obligated Group to purchase or sell Property (other than Operating Assets) or inventory in the ordinary course of business or to transfer cash, securities and other investment properties in connection with ordinary investment transactions where such purchases, sales and transfers are for substantially equivalent value.

Section 3.09. Consolidation, Merger, Sale or Conveyance. (a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, redemption premium, if any, and interest on all Outstanding Obligations issued under this Indenture according to their terms and the due and punctual performance and observance of all the covenants and conditions of this Indenture and any Supplement hereto and granting to the Master Trustee a security interest in the Pledged Assets of such successor corporation; and

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Indenture and any condition described in subsection (a)(i) or (ii) of Section 3.06 of this Indenture would be met for the incurrence of one (1) additional dollar of Long-Term Indebtedness; and

NY1 622826-3

29

accountants. Such audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of unrestricted fund financial position, results of operations and changes in unrestricted fund balance and financial position as of the end of such fiscal reporting period.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred twenty (120) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or in whose behalf the Master Trustee may have so requested, an Officer's Certificate stating the Long-Term Debt Service Coverage Ratio for the Fiscal Year and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in this Indenture and, if so, specifying each such default of which the signers may have knowledge and whether each such default has been corrected. If any default has not been remedied then a report of independent certified public accountants, to the best knowledge of the signers, shall identify what, if any, corrective action will be taken to cure such default.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within thirty (30) days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of this Indenture requires to be prepared by a Consultant or an Insurance Consultant.

(e) Within thirty (30) days after the beginning of each fifth Fiscal Year, file with the Master Trustee an Opinion of Counsel which shall state whether there are required to be filed in any office within the period of twelve (12) full consecutive calendar months following the date of such Opinion of Counsel financial statements, including continuation statements in order to continue the perfection of the security interests granted hereunder.

Section 3.11. Parties Becoming Members of the Obligated Group. Persons which are non-profit corporations and which are not Members of the Obligated Group and non-profit corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by Section 3.09 hereof may, with the prior written consent of the current Members of the Obligated Group, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Indenture and thereby

NY1 622826-3

31

(iii) If all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect the exclusion from gross income for purposes of federal income taxation of interest payable on such Related Bond.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed in and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to Section 3.11 hereof, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

Section 3.10. Filing of Financial Statements, Certificate of No Default and Other Information. The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred twenty (120) days after the end of each Fiscal Year for which the Financial Statements are reported upon by independent certified public accountants, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the audited Financial Statements as of the end of such Fiscal Year (which shall include comparative information from the preceding Fiscal Year) accompanied by the opinion of independent certified public

NY1 622826-3

30

become subject to compliance with all provisions of this Indenture pertaining to a Member of the Obligated Group, including the pledge and security interest provided for in Section 3.01 of this Indenture, the filing or recordation of all financing statements and continuation statements in such places as are required by law and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, and (ii) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to and satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances.

(c) There shall be filed with the Master Trustee (i) an Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the proposed date of such action for which Financial Statements are available, assuming such action actually occurred at the beginning of such period, would not have been reduced by more than thirty-five percent (35%) and in no event to less than 1.25; or (ii) the report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) Fiscal Years immediately succeeding the date of such action (A) will be not less than 2.00 or (B) will be greater than 1.30 and not reduce by more than thirty-five percent (35%), the forecasted Long-Term Debt Service Coverage Ratio for each of such periods assuming that such action had not taken place.

(d) If all amounts due or to become due on any Related Bond have not been paid to the holders thereof, there shall be filed with the Master Trustee, an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on any such Related Bond.

Section 3.12. Withdrawal from the Obligated Group. (a) No Member of the Obligated Group may withdraw from the Obligated Group unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) (A) An Officer's Certificate demonstrating that (i) all Obligations issued by such Member are no longer Outstanding or (ii) an amount of cash or Defeasance Obligations sufficient to accomplish the requirement of clause (i)(A)(i) hereof has been paid by such Member to the Master Trustee or all Outstanding Obligations issued by such Member have been assumed by another

NY1 622826-3

32

Member of the Obligated Group, and (B), in either case, if all amounts due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holder thereof, an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code; and

(H) (A) An Officer's Certificate demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of twelve (12) full consecutive calendar months preceding the proposed date of such action for which Financial Statements are available, assuming such action actually occurred at the beginning of such period, would have been not reduced by more than thirty-five percent (35%) and in no event to less than 1.25; or

(B) The report of a Consultant demonstrating that the forecasted Long-Term Debt Service Coverage Ratio for each of the two (2) Fiscal Years immediately succeeding the date of such action is forecasted to be greater than 1.30 and that such action will not reduce by more than thirty-five (35%) the forecasted Long-Term Debt Service Coverage Ratio for each of such periods assuming that such action had not taken place.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant to Section 3.11 hereof shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Indenture shall cease.

ARTICLE IV

DEFAULT AND REMEDIES

Section 4.01. Events of Default. Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the redemption premium, if any, or interest on any Obligations issued and Outstanding hereunder when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of this Indenture or of any Supplement;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least a majority in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure be such that it cannot be corrected within thirty (30) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such thirty (30) day period, is diligently pursued and is successfully completed within sixty (60) days after receipt of such notice;

(c) An event of default shall occur under a Related Bond Indenture or upon a Related Bond;

(d) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness in a outstanding aggregate principal amount in excess of \$250,000 (other than Obligations issued and Outstanding hereunder and Non-Recourse Indebtedness), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of ninety (90) consecutive days; and

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due.

Section 4.02. Acceleration; Annulment of Acceleration. (a) Upon the occurrence and during the continuance of an Event of Default hereunder, the Master Trustee may and, upon the

written request of (i) the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding or (ii) any Person properly exercising the right given to such Person under any Supplement to require acceleration of the Obligations issued pursuant to such Supplement, shall, by notice to the Members of the Obligated Group declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other section of this Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplement give a Person the right to consent to acceleration of the Obligations issued pursuant to said Supplement, the Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event Obligations are accelerated there shall be due and payable on such Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, all interest which accrues thereon from the date of acceleration to the date of payment.

(b) At any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, if (i) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee moneys or Defeasance Obligations sufficient to pay all matured installments of interest and interest on installments of principal and interest and principal or redemption prices then due (other than the principal then due only because of such declaration) of all Obligations Outstanding; (ii) the Obligated Group has paid or caused to be paid or deposited with the Master Trustee money sufficient to pay the charges, compensation, expenses, disbursements, advances, fees and liabilities of the Master Trustee; (iii) all other amounts then payable by the Obligated Group hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Master Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Obligations then due only because of such declaration) shall have been remedied, then the Master Trustee may, and upon the written request of Holders of not less than a majority in aggregate principal amount of the Obligations Outstanding shall, annul such declaration and its consequences with respect to any Obligations or portions thereof not then due by their terms. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 4.03. Additional Remedies and Enforcement of Remedies. (a) Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of Vermont; and

(vi) Enforcement of any other right of the Holders conferred by law or hereby.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of the Holders not making such request.

Section 4.04. Application of Gross Receipts and Other Moneys after Default. During the continuance of an Event of Default all Gross Receipts and other moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article, after payment of (i) the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses and advances incurred or made by the Master Trustee with respect thereto and all other fees and expenses of the Master Trustee under this Indenture and (ii) in the sole discretion of the Master Trustee, the payment of the expenses of operating any Member of the Obligated Group, shall be applied as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

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

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

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Section 4.05. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

NY 1022896-3

37

any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(c) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 4.10. Appointment of Receiver. Upon the occurrence of any Event of Default unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect, to the extent permitted by law, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property and the revenues, profits and proceeds therefrom, with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.11. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.12. Notice of Default. The Master Trustee shall, within ten (10) days after it has knowledge of the occurrence of an Event of Default, mail to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee.

ARTICLE V

THE MASTER TRUSTEE

Section 5.01. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default:

NY 1022896-3

39

Section 4.06. Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders.

Section 4.07. Holders' Control of Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is not in conflict with any applicable law or the provisions hereof, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, is not unduly prejudicial to the interest of any Holders not joining in such direction and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by Holders.

Section 4.08. Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.09. Waiver of Event of Default. (a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default hereunder and its consequences; provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02 hereof, a default in the payment of the principal of, premium, if

NY 1022896-3

38

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Indenture, except under the circumstances set

NY 1022896-3

40

forth in subsection (b) of Section 4.09 hereof requiring the consent of the Holders of all the Obligations at the time Outstanding; and

(iv) no provision of this Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial or other liability, directly or indirectly, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02. Certain Rights of Master Trustee. Except as otherwise provided in Section 5.01:

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction or statement of any Member of the Obligated Group mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Member of the Obligated Group to have been duly adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel or independent auditor and the written advice of such counsel or independent auditor or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture whether on its own motion or at the request or direction of any of the Holders pursuant to this Indenture which shall be in the opinion of the Master Trustee likely to involve expense or liability not otherwise provided for herein, unless one or more Holders or such Holders making such request shall have offered and furnished to the Master Trustee reasonable security or indemnity satisfactory to the Master Trustee against the

costs, expenses and liabilities which might be incurred by it in compliance with such request or direction or otherwise in connection herewith.

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Member of the Obligated Group, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

Section 5.03. Right to Deal in Obligations and Related Bonds. The Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with like effect as if the Master Trustee were not the Master Trustee.

Section 5.04. Removal and Resignation of the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then Outstanding. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within thirty (30) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least Ten Million Dollars (\$10,000,000), if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

NY1 622265-3

41

Every successor Master Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each registered Holder.

Section 5.05. Compensation and Reimbursement. Each Member of the Obligated Group, respectively, agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and, if not paid when due, shall be subject to interest at the base rate of the Master Trustee.

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith. If such amounts are not paid when due, they shall be subject to interest at the base rate of the Master Trustee.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence, bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the Members of the Obligated Group under this Section, the Master Trustee shall have a lien prior to any Obligations upon all property and funds held or collected by the Master Trustee as such, except funds held in trust for the payment of principal of, redemption premium, if any, or interest on Obligations.

Section 5.06. Recitals and Representations. The recitals, statements and representations contained herein, or in any Obligation (excluding the Master Trustee's authentication on the

NY1 622265-3

42

Obligations) shall be taken and construed as made by and on the part of the Members of the Obligated Group, respectively, and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Obligations, or the validity or sufficiency of insurance to be provided. The Master Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Master Trustee of written notice of a default or an Event of Default from a Member of the Obligated Group or any Holder.

Section 5.07. Separate or Co-Master Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee shall have power to appoint, and, upon the request of the Holders of at least twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding, shall appoint, one or more Persons approved by the Master Trustee either to act as co-trustee or co-trustees, jointly with the Master Trustee, or to act as separate trustee or separate trustees, and to vest in such person or persons, in such capacity, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Master Trustee, or by the Master Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Master Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

NY1 622265-3

44

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section. Upon the request of the Master Trustee, the Members of the Obligated Group shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee or any paying agent hereunder shall be personally liable by reason of any act or omission of any other trustee or paying agent hereunder, nor will the act or omission of any trustee or paying agent hereunder be imputed to any other trustee or paying agent.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Master Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Master Trustee its or his attorney-in-fact and agent, with full power and authority to perform all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In the event that the Master Trustee shall resign or be removed, no co-trustee or separate trustee appointed pursuant to this Section 5.07 shall become the successor Master Trustee unless such co-trustee or separate trustee shall have been appointed Master Trustee pursuant to Section 5.04 hereof.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided.

Section 5.08. Availability of Records. Anything in this Master Trust Indenture to the contrary notwithstanding, the Master Trustee shall provide copies to any beneficial owner of

NY1 432882-3

45

execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, redemption premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or if it has no secretary, its comparable officer, and the proposed Supplement and if the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 of this Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

NY1 432882-3

47

Obligations, at the Corporation's expense, upon written or facsimile request from any beneficial owner of Obligations identified in the records kept by the Master Trustee, of all records and documents the Master Trustee maintains in connection with the Obligations, the Corporation or any project funded by the Obligations. These include, without limitation, lists of Holders and beneficial owners, fund balances for all funds and accounts established under the Master Trust Indenture and records showing the timeliness of payments. Availability of records and documents for inspection at the offices of the Master Trustee does not satisfy this Section.

ARTICLE VI

SUPPLEMENTS AND AMENDMENTS

Section 6.01. Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of, but with notice to, the Holders, enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a).

(d) To qualify this Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of Indebtedness as permitted hereunder.

(f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.09.

(g) To comply with the provisions of any federal or state securities law.

Section 6.02. Supplements Requiring Consent of Holders. (a) Other than Supplements referred to in Section 6.01 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the

NY1 432882-3

46

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

Section 6.03. Execution and Effect of Supplements. (a) In executing any Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby. The Master Trustee may but shall not be obligated to enter into any such Supplement which effects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the issuer of any Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of such issuer to any such Supplement may be prepared and executed by the issuer and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

ARTICLE VII

SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01. Satisfaction and Discharge of Indenture. If (a) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (b) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (c) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group, and at the cost and expense

NY1 432882-3

48

of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Each Member of the Obligated Group, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses thereto and thereafter reasonably and properly incurred by the Master Trustee in connection with this Indenture or such Obligations.

Section 7.02. Payment of Obligations after Discharge of Lien. Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided herein.

Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, redemption premium, if any, or interest on any Obligation remaining unclaimed for five (5) years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Members of the Obligated Group, as their interests may appear, and thereafter the Holders of any Obligations not theretofore presented shall be entitled to look only to the Members of the Obligated Group for payment as unsecured creditors, and the Master Trustee shall have no responsibility with respect to such money.

ARTICLE VIII

CONCERNING THE HOLDERS

Section 8.01. Evidence of Acts of Holders. (a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders, the registered owners of Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Bonds then outstanding held by each such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds then outstanding.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

NY1 422289A.1

49

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture.

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

Section 8.02. Obligations or Related Bonds Owned by Members of Obligated Group. In determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand, direction, request, notice, consent, waiver or other action under this Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which the Trustee has actual notice or knowledge are so owned shall be so disregarded. Obligations or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Obligations or Related Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with any Member of the Obligated Group. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee.

Section 8.03. Instruments Executed by Holders Bind Future Holders. At any time prior to (but not after) the time when the Master Trustee takes action in reliance upon evidence, as provided in Section 8.01 hereof, of the taking of any action by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action, any Holder of such an Obligation or Related Bond that is shown by such evidence to be included in Obligations the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in Section 8.01, revoke such action so far as concerns such Obligation or Related Bond. Except upon such revocation any

NY1 422289A.1

50

such action taken by the Holder of an Obligation or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or Related Bond which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Obligation or Related Bond, and of any Obligation or Related Bond issued in lieu thereof, whether or not any notation in regard thereto is made upon such Obligation or Related Bond. Any action taken by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action shall be conclusively binding upon each Member of the Obligated Group, the Master Trustee and the Holders of all of such Obligations or Related Bonds.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Obligations issued hereunder is intended or shall be construed to give to any Person other than each Member of the Obligated Group, the Master Trustee, and the Holders hereunder any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section.

Section 9.02. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Obligations issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 9.03. Holidays. Except to the extent a Supplement or an Obligation provides otherwise:

(a) Subject to subsection (b), when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the jurisdiction where the Corporate Trust Office is located are authorized by law to remain closed, the action may be done on the next ensuing day not a day on which banking institutions in such jurisdiction are authorized by law to remain closed with effect as though done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect

NY1 422289A.1

51

as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 9.04. Governing Law. This Indenture and any Obligations issued hereunder are contracts made under the laws of the State of Vermont and shall be governed by and construed in accordance with such laws.

Section 9.05. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9.06. Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future officer, director, trustee, member, employee or agent of any Member of the Obligated Group, and all such liability of any such individual so such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of Obligations issued hereunder.

Section 9.07. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon each Member of the Obligated Group, the Master Trustee and their respective successors and assigns subject to the limitations contained herein.

Section 9.08. Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to any Member of the Obligated Group, addressed to The Brattleboro Retreat, at its principal place of business, which on the date hereof is: Anna Marsh Lane, Brattleboro, VT 05302; Attention: Vice President of Finance;

(ii) If to the Master Trustee, addressed to it at 2 Burlington Square, Burlington, Vermont 05401; Attention: Institutional Trust Services; or

(iii) If to any registered Holder, addressed to such Holder at the address shown on the books of the Master Trustee kept pursuant hereto.

(b) Any Member of the Obligated Group or the Master Trustee may from time to time by notice in writing to the other and to the registered Holders designate a different address or addresses for notice hereunder.

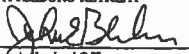
NY1 422289A.1

52

IN WITNESS WHEREOF, each Member of the Obligated Group has caused these presents to be signed in its name and on its behalf by its duly authorized officer and to evidence its acceptance of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all of as of the day and year first above written.

THE BRATTLEBORO RETREAT

By


Authorized Officer

CHITTENDEN TRUST COMPANY,
as Master Trustee

By


Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]



SIDLEY AUSTIN LLP
787 SEVENTH AVENUE
NEW YORK, NY 10019
(212) 839 5300
(212) 839 5599 FAX

BEIJING
BRUSSELS
CHICAGO
DALLAS
FRANKFURT
GENEVA
HONG KONG
LONDON
LOS ANGELES

NEW YORK
PALO ALTO
SAN FRANCISCO
SHANGHAI
SINGAPORE
SYDNEY
TOKYO
WASHINGTON, D.C.

FOUNDED 1866

APPENDIX E
PROPOSED FORM OF LEGAL OPINION

December __, 2011

Vermont Educational and Health
Buildings Financing Agency
Winooski, Vermont

Ladies and Gentlemen:

We have examined Title 16, Chapter 131, Sections 3851 to 3862, inclusive, Vermont Statutes Annotated, as amended (the “Act”), and certified copies of the proceedings of the Board (the “Board”) of Vermont Educational and Health Buildings Financing Agency, a body corporate and politic constituting a public instrumentality of the State of Vermont (the “Agency”), authorizing the issuance of revenue bonds of the Agency hereinafter described and other proofs submitted relative to the issuance of the following bonds (the “Bonds”):

\$11,300,000

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY
VARIABLE RATE DEMAND REVENUE BONDS
(THE BRATTLEBORO RETREAT PROJECT)
2011 SERIES A

The Bonds are issued under and pursuant to the Act and a Trust Agreement, dated as of December 1, 2011 (the “Trust Agreement”), between the Agency and People’s United Bank, as trustee (the “Trustee”), for the purpose of providing funds, together with other available funds, to (i) refund a portion of the Agency’s outstanding Variable Rate Demand Revenue Bonds (The Brattleboro Retreat Project) 2007 Series A issued on behalf of The Brattleboro Retreat (the “Corporation”), in Brattleboro, Vermont, (ii) pay a portion of the cost of various capital improvements at the Corporation’s campus and (iii) pay certain expenses incurred in connection with the issuance of the Bonds.

The Agency will lend the proceeds of the Bonds to the Corporation under a Loan Agreement, dated as of December 1, 2011 (the “Loan Agreement”), between the Agency and the Corporation. The Bonds are secured by, among other things, payments to be made by the Corporation on its Obligation No. 5, dated as of December 1, 2011 (“Obligation No. 5”), issued by the Corporation under the Master Trust Indenture, dated as of May 1, 2007, as supplemented and amended (the “Master Trust Indenture”), between the Corporation and People’s United

December __, 2011

Page 2

Bank, successor master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented by Supplemental Indenture for Obligation No. 5, dated as of December 1, 2011 (the "Supplemental Indenture" and, together with the Master Trust Indenture as heretofore supplemented and amended, the "Master Indenture"), between the Corporation and the Master Trustee. Obligation No. 5 is being delivered to the Agency as evidence of the Corporation's obligation to repay the loan of the proceeds of the Bonds, and assigned by the Agency to the Trustee as security for the payment of the Bonds. Obligation No. 5 is a direct, general and unconditional obligation of the Corporation secured as provided in the Master Indenture.

The Bonds bear interest from the original issuance date thereof initially at an adjustable interest rate and are subject to redemption prior to their maturity in the manner and upon the terms and conditions set forth therein and in the Trust Agreement. The Bonds are issuable in fully registered form in denominations that vary according to the interest mode in which the Bonds may be from time to time.

The Bonds can be converted from one interest mode to a different interest mode upon compliance with the terms of the Trust Agreement. The Bonds are subject to optional and mandatory tender for purchase at such times, under such circumstances and upon the terms and conditions as are set forth in the Trust Agreement.

The Corporation is obligated under Obligation No. 5 and the Loan Agreement to make payments sufficient to pay the principal of and the redemption premium, if any, and interest on the Bonds when due. The Bonds are also entitled to the benefit of the Credit Facility (as defined in the Trust Agreement).

We have also examined one of the Bonds as executed and authenticated.

Based upon such examination, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued.
2. The Trust Agreement has been duly authorized and executed by the Agency and is a valid, binding and enforceable agreement in accordance with its terms.
3. The Bonds are valid and binding limited obligations of the Agency payable in accordance with their terms from payments to be made by the Corporation pursuant to Obligation No. 5 and the Loan Agreement, by the Bank pursuant to the Credit Facility, certain funds held by the Trustee under the Trust Agreement and money attributable to the proceeds of the Bonds and the income from the investment thereof, and, under certain circumstances, proceeds of insurance, condemnation awards and

December __, 2011

Page 3

remedial action taken pursuant to the Master Indenture, the Loan Agreement or the Trust Agreement.

4. The Loan Agreement has been duly authorized and executed by the Agency and the Corporation and is a valid, binding and enforceable agreement in accordance with its terms.

5. The Master Indenture has been duly authorized and executed by the Corporation and is a valid, binding and enforceable agreement in accordance with its terms.

6. The Bonds shall not be deemed to constitute a debt or liability of the State of Vermont, and neither the faith and credit nor the taxing power of the State of Vermont is pledged for the payment of the principal of or the interest on the Bonds.

7. Based on current law, and assuming compliance by the Corporation and the Agency with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and covenants regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury, if required, the interest on the Bonds is not includible in the gross income of the owners of the Bonds for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal individual or corporate alternative minimum tax, but interest on the Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. Failure by the Agency or the Corporation to comply with the requirements of the Code and such covenants may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactive to their date of issuance. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Corporation. The opinion expressed in the first and second sentences of this paragraph may not be relied upon to the extent that the exclusion from gross income of the interest on the Bonds for federal income tax purposes is adversely affected as a result of any action taken or not taken in reliance upon the opinion or advice of counsel other than this firm. In rendering the opinion set forth in this paragraph, we have relied upon the representations made by the Corporation with respect to certain material facts within its knowledge which we have not independently verified and upon the opinion of McKee, Giuliani & Cleveland, P.C., Montpelier, Vermont, counsel for the Corporation, that the Corporation is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code and that, to the best of such counsel's knowledge, the Corporation has done nothing to impair such status and that the use of property financed with the proceeds of the Bonds does not

December __, 2011

Page 4

constitute an unrelated trade or business under Section 513(a) of the Code. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any investor of the investment in, or receipt of any interest on, the Bonds.

The Act provides that bonds of the Agency and the income therefrom shall at all times be exempt from taxation in the State of Vermont, except for transfer and estate taxes.

The enforceability of the Master Indenture, the Trust Agreement and the Loan Agreement and the obligations of the aforementioned parties with respect to such documents are subject to bankruptcy, insolvency and other laws affecting creditors' rights generally. To the extent that the remedies under the Master Indenture, the Trust Agreement and the Loan Agreement require enforcement by a court of equity, the enforceability thereof may be limited by such principles of equity as the court having jurisdiction may impose.

In rendering this opinion we have relied upon the opinion of McKee, Giuliani & Cleveland, P.C., Montpelier, Vermont, counsel to the Corporation, with respect to the due organization and valid existence of the Corporation, its power and authority with respect to the transactions contemplated by, and its due authorization, execution and delivery of, the Master Indenture, Obligation No. 5 and the Loan Agreement.

Respectfully submitted,