REFUNDING ISSUE—Book-Entry Only | **RATINGS†: Moody's: Aa2**
S&P: AA

In the opinion of Bond Counsel, having assumed compliance by the Agency and the College with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not includable in gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Bonds will not constitute a specific preference item for the purposes of computation of the alternative minimum tax imposed on individuals and corporations, although interest on the Bonds will be taken into account in computing the alternative minimum tax imposed on 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 the caption "TAX EXEMPTION" herein.

$59,445,000
Vermont Educational and Health Buildings Financing Agency
Revenue Refunding Bonds
(Middlebury College Project) Series 2009

Dated: Date of Delivery | **CUSIP: 924166DG3±** | **Due: November 1, 2038**

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 denomination of $5,000 or any integral multiple 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 owners of the Bonds, the Owners or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The principal and redemption price of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., as trustee and paying agent (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's Direct Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

The Bonds will bear interest at the rate and mature on the date set forth below. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2010.

The Bonds are subject to optional redemption prior to maturity as described herein.

$59,445,000 5.00% Revenue Refunding Bonds (Middlebury College Project) Series 2009, due November 1, 2038 to Yield 4.45%*

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND WILL BE PAYABLE SOLELY FROM THE REVENUES OF THE AGENCY DERIVED FROM PAYMENTS TO BE MADE BY OR ON BEHALF OF THE PRESIDENT AND FELLOWS OF MIDDLEBURY COLLEGE, IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN AGREEMENT AND THE BOND INDENTURE 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 Bonds are offered when, as and if issued by the Agency and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon by Deppman & Foley, P.C., Middlebury, Vermont, counsel to the Agency and by Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the College. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, LLP, Boston, Massachusetts. It is expected that the Bonds in definitive form will be available for delivery to DTC in New York, New York or its custodial agent on or about January 14, 2010.

Goldman, Sachs & Co.

Dated: January 6, 2010

† See "RATINGS" herein.

± The CUSIP number listed on the cover page to this Official Statement is being provided solely for the convenience of owners of the Bonds only, and the Agency does not make any representation with respect to such number or undertake any responsibility for its accuracy. The CUSIP number is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

* Yield to first call date of November 1, 2019.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH 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.

No dealer, broker, salesman or other person has been authorized by Vermont Educational and Health Buildings Financing Agency (the "Agency"), The President and Fellows of Middlebury College (the "College") or the Underwriter to give any information or to make any representations with respect to the Bonds other than what is 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. The information contained herein under the heading "The Agency" has been furnished by Vermont Educational and Health Buildings Financing Agency. All other information contained herein has been obtained from the College and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed to be the representation of, the Agency. 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 for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

TABLE OF CONTENTS

Official Statement

Relating to

$59,445,000

Vermont Educational and Health Buildings Financing Agency
Revenue Refunding Bonds
(Middlebury College Project) Series 2009

This Official Statement, including the cover page and appendices hereto, sets forth certain information concerning the Vermont Educational and Health Buildings Financing Agency (the "Agency") a public instrumentality of the State of Vermont (the "State"), its $59,445,000 Revenue Refunding Bonds (Middlebury College Project) Series 2009 (the "Bonds") and The President and Fellows of Middlebury College, a private non-profit college (the "College"). The Bonds are authorized to be issued pursuant to the Vermont Educational and Health Buildings Financing Agency Act, being Chapter 131, Sections 3851 to 3862, inclusive, of Title 16, Vermont Statutes Annotated, as amended (the "Act").

INTRODUCTORY STATEMENT

The Bonds will be issued for the purpose of making a loan to the College to refund the Agency's Revenue Bonds (Middlebury College Project) Series 1999 (the "Refunded Bonds") and to pay certain costs of issuance of the Bonds. See "PLAN OF FINANCE".

The Bonds will be issued under a bond indenture dated as of November 1, 2009 (the "Bond Indenture") between the Agency and The Bank of New York Mellon Trust Company, N.A., Boston, Massachusetts, as bond trustee (the "Bond Trustee"), and a resolution of the Agency adopted on November 13, 2009 (the "Resolution").

Simultaneously with the issuance of the Bonds and in consideration of its loan to the College of the proceeds thereof, the College will issue a note (the "Note") and deliver the Note to the Agency for assignment to the Bond Trustee for the sole benefit of the owners of the Bonds, pursuant to a Loan Agreement dated as of November 1, 2009 (the "Loan Agreement") between the College and the Agency. The Note will be in the same face amount and will have terms and conditions to provide payments thereon sufficient to pay all amounts to become due on the Bonds.

The Bonds are limited obligations of the Agency. The Agency is not obligated to pay principal of, or the premium, if any, or the interest on the Bonds except from (i) payments to be made by the College on the Note and (ii) other amounts held by the Bond Trustee pursuant to the Bond Indenture. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged as security for the payment of the principal of, or premium, if any, or interest on the Bonds. The College's obligation on the Note is an unsecured, absolute and unconditional obligation of the College, payable from any or all of its available assets or funds.

The provisions of the Bonds are more fully described below and a more detailed description of the use of the Bond proceeds is included herein.

The Bonds will bear interest at the rate of 5.00% per annum and will mature on November 1, 2038.

The description included in this Official Statement of various documents pertaining to the Bonds do not purport to be conclusive or definitive and reference is made to each such document for the complete details of all terms and conditions thereof. All references herein to the Bonds, the Bond Indenture, the Loan Agreement and the Note, are qualified in their entirety by reference to such documents. Copies of the documents are available for inspection at the principal corporate trust office of the Bond Trustee located at 222 Berkeley Street, 2nd Floor, Boston, Massachusetts.

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

THE AGENCY

The Agency has been created as a body corporate and politic constituting a public instrumentality of the State of Vermont for the purpose of exercising the powers conferred on it by virtue of the Act. The purpose of the Agency is essentially to assist certain health care and educational institutions 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 of Vermont, the State Treasurer, the Secretary of the Agency of Human Services, and the Secretary of the Agency 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 members appointed by the Governor for terms of two years. The members of the Board annually elect a Chair, a Vice Chair, a Treasurer and a 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

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

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

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

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

Ex Officio Members

Jeb Spalding
State Treasurer
Montpelier, Vermont

Neale Lunderville
Secretary of the Agency of Administration
Montpelier, Vermont

Armando Vilaseca
Commissioner of Education
Montpelier, Vermont

Robert Hofmann
Secretary of the Agency of Human Services
Waterbury, Vermont

Appointed and Elected Members

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

Kenneth Gibbons
President
Union Bank
Morrisville, Vermont

Stephen Gurin
Regional Vice President
Community National Bank
Barre, Vermont

Kenneth Linsley
Business Consultant
Danville, Vermont

Edward Ogorzalek
Chief Financial Officer
Rutland Regional Medical Center
Rutland, Vermont

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

Sandy Predom
Corporate Banking Officer
Merchants Bank
Rutland, Vermont

Neil G. Robinson
Vice President and Treasurer
Vermont Electric Power Company, Inc.
Rutland, Vermont

Stuart Weppler
Financial Consultant
Morrisville, Vermont

Executive Director

Robert W. Giroux
Executive Director
Vermont Educational and Health
Buildings Financing Agency
20 Winooski Falls Way
Champlain Mill, Suite 305
Winooski, VT 05404

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

Sidley Austin LLP, New York, New York, Bond Counsel to the Agency and will submit its approving opinion with regard to the legality of the Bonds in substantially the form attached hereto as Appendix D.

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

Financing Programs of the Agency

The Agency was duly 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 institution; to lease or to make loans with respect to such facilities to any such eligible institution; 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 the Agency's $40,000,000 Adjustable Rate Revenue Bonds (Middlebury College Project) Series 1988A of which $32,155,000 remains outstanding, the Agency's $65,000,000 Revenue Bonds (Middlebury College Project) Series 1996 of which none remain outstanding, the Agency's $60,000,000 Revenue Bonds (Middlebury College Project) Series 1999 all of which remain outstanding and will be refunded by the Bonds, the Agency's $91,260,000 Revenue

Bonds (Middlebury College Project), Series 2002 of which $86,435,000 remains outstanding, the Agency's $35,425,000 Revenue Bonds (Middlebury College Project), Series 2006A all of which remain outstanding, the Agency's $56,575,000 Revenue Bonds (Middlebury College Project), Series 2006B of which none remain outstanding and the Agency's $55,260,000 Revenue Bonds (Middlebury College Project), Series 2008, Variable Rate Demand Obligations of which $51,600,000 remain outstanding. With the exception of the Agency issues on behalf of the College, 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 Bond Indenture for the Bonds and are payable from certain revenues other than those pledged for payment of 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 certain health care and educational institutions in the acquisition, construction, financing and refinancing of their related projects payable from revenues derived by the Agency from such institutions.

Other than with respect to the description of the Agency provided herein, and the information with respect to the Agency under "ABSENCE OF MATERIAL 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 Bond Indenture 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.

SECURITY FOR THE BONDS

The Bonds are being issued under the Bond Indenture pursuant to which the Agency will assign to the Bond Trustee all its right, title and interest in the Note issued pursuant to the Loan Agreement. The Note, in turn, is an unsecured, absolute and unconditional obligation of the College, payable from any or all of its available assets or funds. The Note is issued by the College pursuant to the Loan Agreement in consideration for the loan of proceeds of the Bonds by the Agency to the College. The College agrees to use the proceeds for the refinancing of the Refunded Bonds and to make certain other payments in connection therewith. The College is obligated under the Note to make payments of principal, premium, if any, and interest on the Bonds when and as the same become due and payable. The Bonds are not secured by any mortgage lien or other security interest in any property of the College.

The Bonds are limited obligations of the Agency. The Agency is not obligated to pay principal of, or the premium, if any, or the interest on the Bonds except from the sources described above. The Bonds do not constitute or create any debt, liability or obligation of the State or any political subdivision or instrumentality thereof (other than the Agency) or a pledge of the faith and credit of the State or any political subdivision or agency of the State, and neither the faith and credit nor the taxing power of the State or any political subdivision or any agency thereof is pledged as security for the payment of the principal of, or premium, if any, or the interest on the Bonds.

THE BONDS

Description of the Bonds

The Bonds will be dated the date of delivery thereof, and will bear interest from such date at 5.00% per annum, payable on May 1, 2010, and on each November 1 and May 1 thereafter. The Bonds will mature on

November 1, 2038. The Bonds will be issuable as fully registered bonds in the denomination of $5,000 or any integral multiple thereof.

Subject to the provisions discussed under “BOOK-ENTRY-ONLY SYSTEM,” principal or the redemption price of the Bonds will be payable at the corporate trust office of the Bond Trustee. Interest on the Bonds will be payable by check or draft mailed to the Bondowners of record as of the close of business on the 15th day (whether or not such day is a Business Day) of the calendar month preceding an interest payment date (the “Regular Record Date”).

The Bonds will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Bonds, the Bonds will be exchangeable for other fully registered certificated Bonds in any authorized denominations. See “BOOK-ENTRY-ONLY SYSTEM” herein. The Bond Trustee may impose a charge sufficient to reimburse the Agency, the College or the Bond Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond. The cost, if any, of preparing each new Bond issued upon such exchange or transfer, and any other expenses of the Agency, the College or the Bond Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

Interest on the Bonds will be payable by check mailed to the registered owners thereof. However, upon request of the Owner, interest on the Bonds will be paid to any Owner of $500,000 or more in aggregate principal amount of the Bonds by wire transfer to any bank designated by the Owner. As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Redemption Prior to Maturity

Optional Redemption. If the College exercises its option to prepay the Loan, the Bonds are required to be redeemed by the Agency on or after November 1, 2019 in whole or in part on any date, upon payment of a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Partial Redemption. In the event of optional redemption of less than all of the Bonds, the Bonds to be redeemed will be selected by the Bond Trustee by lot, in such manner as the Bond Trustee may in its discretion determine. Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be redeemed in part must be surrendered at the place of payment in exchange for one or more new Bonds for the unredeemed portion of principal.

Notice of Redemption. Notice of each redemption of Bonds is required to be given by first class mail, postage prepaid, not less than 30 days prior to the redemption date to each registered owner of the Bonds to be redeemed at the address recorded on the bond register, but failure to mail any such notice or any defect therein shall not affect the validity of the proceedings for such redemption with respect to Owners to whom notice was duly given. Any notice of redemption may state that the redemption to be effected is conditioned upon the receipt by the Bond Trustee on or prior to the redemption date of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed. In the event that such notice contains such a condition and sufficient moneys are not received by the Bond Trustee on or prior to the redemption date, the redemption will not be made and the Bond Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Effect of Redemption. If notice of redemption of any Bond is given, such Bond will be due and payable on the redemption date and, if funds sufficient to pay the redemption price are deposited with the Bond Trustee on such date, will cease to accrue interest after the date fixed for redemption.

BOOK-ENTRY-ONLY SYSTEM

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

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity 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 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 Standard & Poor's highest rating: AAA. 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 the 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 (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 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. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the documents relating to the Bonds. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. 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 such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal 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 Bond Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Bond Trustee or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest 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 Bond Trustee, 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.

DTC may discontinue providing its services as a depository with respect 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 depository is not obtained, the Bond certificates are required to be printed and delivered as described in the Agreement.

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

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 NONE OF THE AGENCY, THE COLLEGE OR THE UNDERWRITER TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF. NO REPRESENTATION IS MADE BY THE AGENCY, THE COLLEGE, 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 COLLEGE, 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, THE COLLEGE, THE BOND TRUSTEE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS, OR FOR ANY PRINCIPAL, PREMIUM, IF ANY, OR INTEREST PAYMENT THEREON.

RELEASE OF BOND INDENTURE

If (a) the Bonds have become due and payable in accordance with their terms and the whole amount of the principal and premium, if any, and the interest so due and payable has been paid; or (b) the Bond Trustee holds sufficient money or Defeasance Obligations the principal of and interest on which, when due and payable, will provide sufficient money to pay the principal of, and redemption premium, if any, and the interest on all Bonds then outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof or a combination of such payment and redemption; and (c) if Bonds are to be called for redemption, irrevocable instructions to call the Bonds for redemption have been given by the Agency to the Bond Trustee; and (d) sufficient funds have been provided or provision made for paying all other obligations payable by the Agency under the Bond

Indenture, then the right, title and interest of the Bond Trustee in the Note, the funds and accounts mentioned in the Bond Indenture shall thereupon cease, determine and become void, and upon receipt of an opinion of counsel in accordance with the Bond Indenture, the Bond Trustee shall release the Bond Indenture.

With respect to Defeasance Obligations delivered pursuant to this provision, the Bond Trustee shall also be required to provide the notice to Owners as required by the Bond Indenture.

PLAN OF FINANCE

The College is issuing the Bonds to currently refund the Refunded Bonds and to pay costs of issuance of the Bonds.

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The proceeds to be received from the sale of the Bonds are expected to be applied as follows:

SOURCES:	
Principal Amount of Bonds	$ 59,445,000
Original Issue Premium	2,569,213
Total Sources of Funds	$62,014,213
USES:	
Redemption of Refunded Bonds	$61,408,333
Payment of costs of issuance (including Underwriter's discount)	605,880
Total Uses of Funds	$62,014,213

DEBT SERVICE REQUIREMENTS OF THE COLLEGE

The following table sets forth, for each fiscal year ending June 30, the amounts required to be made available for the payment of debt service by the College. Refer to "APPENDIX A – MIDDLEBURY COLLEGE – Long Term Debt" for a description of the obligations of the College for which debt service is shown under "Net Existing Debt Service." Net Existing Debt Service excludes debt service on the Refunded Bonds and obligations of the College related to the Cross Street Bridge Project. Debt Service on unhedged variable rate debt is calculated at an assumed rate of 4.0%. For hedged variable rate debt, the applicable swap is used to calculate debt service requirements.

Fiscal Year Ending June 30	Net Existing Debt Service	Debt Service on the Bonds			Total Debt Service Requirements		
		Principal	Interest	Debt Service	Principal	Interest	Debt Service
2010	$14,209,856	0	$883,419	$883,419	$3,935,000	$11,158,275	$15,093,275
2011	14,355,444	0	2,972,250	2,972,250	4,180,000	13,147,694	17,327,694
2012	14,497,944	0	2,972,250	2,972,250	4,430,000	13,040,194	17,470,194
2013	14,647,144	0	2,972,250	2,972,250	4,695,000	12,924,394	17,619,394
2014	14,830,144	0	2,972,250	2,972,250	4,995,000	12,807,394	17,802,394
2015	14,926,750	0	2,972,250	2,972,250	5,265,000	12,634,000	17,899,000
2016	15,012,238	0	2,972,250	2,972,250	5,590,000	12,394,488	17,984,488
2017	15,098,025	0	2,972,250	2,972,250	5,930,000	12,140,275	18,070,275
2018	15,188,313	0	2,972,250	2,972,250	6,290,000	11,870,563	18,160,563
2019	15,301,763	0	2,972,250	2,972,250	6,690,000	11,584,013	18,274,013
2020	15,402,369	0	2,972,250	2,972,250	7,095,000	11,279,619	18,374,619
2021	15,513,544	0	2,972,250	2,972,250	7,530,000	10,955,794	18,485,794
2022	15,648,331	0	2,972,250	2,972,250	8,010,000	10,610,581	18,620,581
2023	15,786,322	0	2,972,250	2,972,250	8,515,000	10,243,572	18,758,572
2024	14,194,075	0	2,972,250	2,972,250	7,265,000	9,901,325	17,166,325
2025	14,289,063	0	2,972,250	2,972,250	7,675,000	9,586,313	17,261,313
2026	14,449,488	0	2,972,250	2,972,250	8,170,000	9,251,738	17,421,738
2027	14,642,738	0	2,972,250	2,972,250	8,720,000	8,894,988	17,614,988
2028	10,358,263	0	2,972,250	2,972,250	4,725,000	8,605,513	13,330,513
2029	7,158,550	0	2,972,250	2,972,250	1,710,000	8,420,800	10,130,800
2030	7,200,650	0	2,972,250	2,972,250	1,850,000	8,322,900	10,172,900
2031	7,239,913	0	2,972,250	2,972,250	1,995,000	8,217,163	10,212,163
2032	7,290,650	0	2,972,250	2,972,250	2,160,000	8,102,900	10,262,900
2033	73,421,250	0	2,972,250	2,972,250	70,000,000	6,393,500	76,393,500
2034	1,771,250	0	2,972,250	2,972,250	0	4,743,500	4,743,500
2035	1,771,250	0	2,972,250	2,972,250	0	4,743,500	4,743,500
2036	1,771,250	0	2,972,250	2,972,250	0	4,743,500	4,743,500
2037	1,771,250	0	2,972,250	2,972,250	0	4,743,500	4,743,500
2038	1,771,250	0	2,972,250	2,972,250	0	4,743,500	4,743,500
2039	1,771,250	$59,445,000	1,486,125	60,931,125	59,445,000	3,257,375	62,702,375
2040	1,771,250	0	0	0	0	1,771,250	1,771,250
2041	1,771,250	0	0	0	0	1,771,250	1,771,250
2042	1,771,250	0	0	0	0	1,771,250	1,771,250
2043	1,771,250	0	0	0	0	1,771,250	1,771,250
2044	1,771,250	0	0	0	0	1,771,250	1,771,250
2045	1,771,250	0	0	0	0	1,771,250	1,771,250
2046	1,771,250	0	0	0	0	1,771,250	1,771,250
2047	36,310,625	0	0	0	35,425,000	885,625	36,310,625
Total:	$439,999,697	$59,445,000	$85,592,544	$145,037,544	$292,290,000	$292,747,241	$585,037,241

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Sidley Austin LLP, New York, New York, Bond Counsel, based on existing statutes, regulations and court decisions and assuming compliance by the College and the Agency with certain requirements of the Code and covenants of 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 in not includable in the gross income of the owners of the Bonds for purposes of federal income taxation. The form of the opinion to be delivered by Bond Counsel is set forth in Appendix D to this Official Statement. Failure by the College or the Agency to comply with their respective covenants to comply with the provisions of the Code regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the Treasury of the United States 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 College. Bond Counsel will express no opinion as to the exclusion from gross income of the interest on the Bonds for federal income tax purposes 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 the taking of any action upon the approval of counsel other than Bond Counsel.

Bond Counsel's opinion relies on certain representations made by the College with respect to certain material facts within the knowledge of the College which Bond Counsel has not independently verified and upon the accompanying opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the College, that the College 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 College has done nothing to impair such status. The tax exemption of interest on the Bonds is dependent upon, among other things, the status of the College 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 the opinion of Dinse, Knapp & McAndrew, P.C.

Alternative Minimum Tax

Interest on the Bonds will not be treated as a preference item in calculating the alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be included in the calculation of the alternative minimum tax liabilities of corporations.

Other Tax Consequences

Ownership of tax-exempt obligations may result in collateral federal income 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 and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income credit. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

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.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject, directly or indirectly, to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the exclusion of such interest with respect to the Bonds from gross income for federal income tax purposes and with respect to the Bonds from income taxation by the State and its political subdivisions.

Prospective purchasers of the Bonds should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

RATINGS

Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies ("S&P"), and Moody's Investors Service, Inc. ("Moody's") are expected to assign ratings of "AA" and "Aa2," respectively, to the Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: S&P, 55 Water Street, New York, New York 10004 and Moody's, 99 Church Street, New York, New York 10007. Certain information and materials not included in this Official Statement were furnished to the rating agencies by the College. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Bonds.

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 of Vermont 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 of Vermont may properly and legally invest funds in their control.

STATE NOT LIABLE ON BONDS

The State of Vermont is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, or for the performance of any pledge, mortgage, 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 of Vermont 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 of 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 Owners, are fully met and discharged.

UNDERWRITING

The Bonds will be purchased for reoffering by Goldman, Sachs & Co. (the "Underwriter"). The Underwriter will agree to purchase the Bonds at a purchase price equal to $61,687,265.50 (representing the principal amount of the Bonds plus the original issue premium less an underwriter's discount in the amount of $326,947.50), and to reoffer such Bonds at the initial reoffering yield set forth on the cover page hereof. The Underwriter will agree to accept delivery and pay for all of the Bonds if any are delivered. The obligations of the Underwriter will be subject to certain terms and conditions set forth in the purchase contract for the Bonds. The College will agree to indemnify the Underwriter and the Agency against certain liabilities, including certain liabilities arising under federal and state securities laws. The Underwriter may allow concessions from the public offering price to certain dealers, banks and others.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") has served as financial advisor to the Agency for the issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the Agency are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel, whose approving opinion, in substantially the form set forth in Appendix D hereto, will be delivered with the Bonds. Certain legal matters will be passed upon by Deppman & Foley, P.C., Middlebury, Vermont, counsel to the Agency, by Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the College and by Greenberg Traurig, LLP, Boston, Massachusetts, counsel to the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is not now pending any litigation against the Agency seeking to restrain or enjoin 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 College contemplated by the Loan Agreement.

See Appendix A with respect to any material litigation affecting the College.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the College has undertaken in the Loan Agreement, for the benefit of the beneficial owners of the Bonds, to file certain annual financial and other information and notices required to be provided by Rule 15c2-12 with the Municipal Securities Rulemaking Board ("MSRB") in an electronic form specified by the MSRB (the "Undertaking"). The proposed form of the Undertaking is set forth in Appendix C hereto under the heading "Secondary Market Disclosure." The Undertaking may be amended or modified under certain circumstances set forth therein. The Agency has not committed to provide any continuing disclosure to the beneficial owners of the Bonds or to any other person. The College has never failed to comply in all material respects with any previous undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events.

MISCELLANEOUS

The references herein to the Act, the Note, the Loan Agreement, and the Bond Indenture are brief descriptions of certain provisions thereof. Such descriptions do not purport to be complete and reference is made to such statute and documents for full and complete statements thereof. The agreements of the Agency with the owners of the Bonds are fully set forth in the Bond Indenture, and neither any advertisements of the Bonds or this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the principal trust office of the Bond Trustee.

The consolidated financial statements of the College and its affiliates as of 2009 and 2008 and each of the two years in the period ended June 30, 2009, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein. Such financial statements are set forth in this Official Statement as Appendix B.

The Agency has furnished the information contained herein which relates to the Agency. The College has reviewed the information contained herein which relates to the College and has approved all such information for use in this Official Statement.

The execution and delivery of this Official Statement by its Executive Director have been duly authorized by the Agency and approved by the College.

VERMONT EDUCATIONAL AND HEALTH
BUILDINGS FINANCING AGENCY

By: /s/ Robert Giroux
Robert Giroux
Executive Director

Approved:

THE PRESIDENT AND FELLOWS
OF MIDDLEBURY COLLEGE

By: /s/ Patrick Norton
Patrick Norton
Vice President for Administration
and Treasurer

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MIDDLEBURY COLLEGE

General

The President and Fellows of Middlebury College ("Middlebury" or the "College") is a private, non-profit institution of higher education offering bachelor's degrees in the humanities, social sciences, foreign languages and the natural sciences, master's degrees in biology and English, and master's degrees and doctorates in several foreign languages. Located in the Champlain Valley of Vermont, Middlebury is one of the oldest residential, liberal arts colleges in New England. Founded in 1800, Middlebury was one of the first colleges in New England to become co-educational by admitting women in 1883.

Middlebury features several distinctive academic programs. Every summer the main campus is devoted to the study of ten foreign languages and cultures. On Middlebury's Bread Loaf Campus, the six-week School of English is in session each summer, followed by the two-week Writers' Conference. In addition, Middlebury operates numerous Language Schools abroad.

Governance and Administration

Board of Trustees

The College is governed by a Board of Trustees, referred to in its Charter as "The President and Fellows." The Board is comprised of the President of the College, up to eight Charter Trustees, six Alumni Trustees, and up to 20 Term Trustees. All trustees, except Alumni Trustees, are elected by the Board from nominations submitted by a committee of the Board. Alumni Trustees are elected from nominations submitted by the Alumni Association. Charter Trustees serve a maximum term of fifteen years. Alumni Trustees and Term Trustees serve five-year terms. No Trustee except the President of the College may serve a total of more than 15 years. Regular meetings of the Board are held quarterly.

Currently, there are 31 members of the Board of Trustees including the President of the College, who serves ex-officio. Their names, affiliations and terms of office are as follows:

Middlebury College Board of Trustees

Name	Initial Year Elected	Term Expires	Principal Affiliation
Ronald D. Liebowitz	2004	ex officio	President, Middlebury College Middlebury, VT
Charter Trustees			
Frederick M. Fritz	1999	2014	Former Chair, BancBoston Capital, Inc. Boston, MA
Roxanne M. Leighton	1996	2011	Co-Founder (Retired) CB Sports Bennington, VT

Michael C. Obel-Omia	1997	2012	English Teacher William Penn Charter School Philadelphia, PA
Kimberly C. Parizeau	2003	2018	Volunteer, Wellesley, MA
Marna C. Whittington	1999	2014	President, Nicholas – Applegate Capital Mgmt. San Diego, CA
Kendrick R. Wilson III	1999	2014	Former - Partner, Goldman, Sachs & Co.* New York, NY

Term Trustees

Louis Bacon	2006	2011	President, Moore Capital Management New York, NY
Pamela T. Boll	2005	2010	Documentary Filmmaker, Winchester, MA
Charles M. Gately	2006	2011	Chair, LaSalle Systems Leasing Chicago, IL
Olivier P.L. Halley	2006	2011	Board Member, CIES Management Development Programme Brussels, BE
Beverly L. Hamilton	2005	2011	Former President, ARCO Investment Management Company New York, NY
Jane R. Horvitz	2007	2012	Photographer, Shaker Heights, OH
James R. Keyes	2000	2010	Senior Vice President Berkshire Bank Manchester, VT
Patrick L. McConathy	2005	2010	Owner, Phoenix Oil & Gas Ltd. Vail, CO
Stephen McDonald	2005	2011	Group Managing Director, Trust Company of the West South Pasadena, CA
David R. Mittelman	2008	2013	Managing Partner Convexity Capital Management LP Boston, MA

Susan J. Scher	2006	2011	Managing Director, Goldman, Sachs & Co.* New York, NY

*Goldman, Sachs & Co. is serving as the Underwriter in connection with the issuance of the Series 2009 Bonds. The College believes that the participation of Goldman, Sachs & Co. in the offering is on terms no less favorable to the College than could be obtained from other parties.

Administrative Officers

The Board appoints the President who is the chief executive officer of the College. Middlebury's present senior administrative officers are:

Ronald D. Liebowitz was appointed as the 16th president of Middlebury College in April 2004. Mr. Liebowitz had previously served as Provost and Executive Vice President of the College from 1997 until his appointment as President in 2004. From 1993-95, he was Dean of the Faculty, and from 1995-97, he was Vice President of the College. From February to June 2002, Mr. Liebowitz served as Acting President.

President Liebowitz, joined the Middlebury faculty in 1984 as an instructor of geography and was promoted to associate professor in 1988 and full professor in 1993. He is a graduate of Bucknell University in Lewisburg, Pennsylvania, where he majored in economics and geography, and competed as a varsity swimmer. He received his doctorate in geography from Columbia University in 1985.

Recognized as an authority on Russian economic and political geography, Mr. Liebowitz has authored scholarly articles related to Soviet and Russian regional economic policy, is the editor of three books, and is the recipient of a number of national fellowships, including fellowships from: the National Council on Soviet and East European Research, the International Research and Exchange Board (IREX), the Social Science Research Council (SSRC), the George F. Kennan Institute, and the Woodrow Wilson Center for International Scholars. Mr. Liebowitz spent two summers studying at Middlebury's Russian Language School, and served as the first board chair for the National Institute for Technology and Liberal Education (NITLE), an Andrew W. Mellon Foundation-supported consortium of 81 liberal arts colleges that serves as a catalyst for innovation and collaboration for national liberal arts colleges.

Alison R. Byerly, Provost and Executive Vice President since 2003 and Professor of English and American Literatures, has also served as Vice President for Academic Affairs, Dean of the Faculty and in other administrative roles since 1998. She received her B.A. from Wellesley College in 1983, and received her M.A. (1984) and Ph.D. (1989) from the University of Pennsylvania.

She joined the Middlebury faculty in 1989. She has published articles on a variety of topics relating to the art and literature of the Victorian period. Her book, *Realism, Representation, and the Arts in Nineteenth-Century Literature*, was published by Cambridge University Press in 1997. She recently returned from a year-long research sabbatical at Stanford University, where she completed a second book, *Are We There Yet? Virtual Travel and Victorian Realism*, now under contract at the University of Michigan Press. Professor Byerly continues to teach in addition to her administrative duties.

F. Robert Huth, Jr., Executive Vice President since 2009, previously served as Executive Vice President and Treasurer and Vice President for Administration and Treasurer from 1999 to 2004, was appointed Vice President for Administration and Chief Financial Officer in 1998. A graduate of Moravian College, Mr. Huth is a certified public accountant with an M.B.A. from Lehigh University. He came to the College with over 25 years of experience in finance and accounting, including serving as Senior Vice President for Administration at Moravian College. Mr. Huth is a member of the American Institute of Certified Public Accountants, and is a past President of the Eastern Association of College and University Business Officers (EACUBO) and a former Board member of the National Association of College and University Business Officers (NACUBO) from 2001 to 2004. He has previously served as President of the Addison County Chamber of Commerce Board, Treasurer of the Addison County Economic Development

Corporation Board, and Vice President of Addison County Transit Resources Board and has been serving as a Commissioner of the New England Association of Schools and Colleges since 2007.

Patrick J. Norton, Vice President for Administration and Treasurer since 2009, is the chief financial officer of the College and oversees the financial and business operations of the College. Mr. Norton was appointed Vice President and Chief Financial Officer in 2008, was appointed Associate Vice President for Finance and Controller in 2006, and was appointed Controller in 2003. A graduate of The University of Texas at Austin, Mr. Norton is a certified public accountant and certified treasury professional with an M.A. from Columbia University. Mr. Norton has over 22 years of experience in finance and accounting, focused in higher education, healthcare, and social services. Mr. Norton is licensed to practice public accounting and is a member of the American Institute of Certified Public Accountants, The Association of Financial Professionals, the Institute of Internal Auditors, and the National Association of College and University Business Officers (NACUBO).

Michael D. Schoenfeld, (Middlebury ’73), Vice President for College Advancement, oversees fund raising and alumni relations at Middlebury College. A former high school science and math teacher, Mr. Schoenfeld returned to his alma mater in 1981 to coach the alpine ski team. In 1985, he gave up his coaching responsibilities to work full-time in the College's Development Office on the Campaign for Middlebury, a $60 million capital fund drive. After the successful completion of the Campaign in 1990, he assumed the position of Director of Development, with oversight of Alumni Relations, Development, and Public Affairs. In 1995, he moved to the position of Dean of Enrollment Planning, with management responsibilities for Admissions and Financial Aid. Mr. Schoenfeld returned to fundraising in 2004 to lead Middlebury’s $500 million comprehensive fund raising campaign, The Middlebury Initiative. As of November 30, 2009, The Middlebury Initiative had raised approximately $311 million in gifts and pledges.

Michael E. Geisler, C.V. Starr Professor of Linguistics and Languages, was appointed Vice President for Language Schools, Schools Abroad and Graduate Programs in September of 2007, after serving as Dean of Language Schools and Schools Abroad since January of 2005. He received his *Staatsexamen* (M.A. equivalency) from the University of Mannheim, Germany, and his Ph.D. from the University of Pittsburgh in 1981. He joined the Middlebury faculty in 1992 as Associate Professor of German. In 1995 he was promoted to full professor.

Before assuming his current office, he served as chair of the German Department, chair of the Foreign Language Division and Associate Dean of the Faculty for Arts, Humanities, Languages and Literature. He has published two books and numerous articles on German media studies, German literature and on nationalism and national symbols. He is also co-editor of a special issue of *New German Critique* on German media culture. In January of 2008, in cooperation with Clara Yu, President of the Monterey Institute of International Studies, he organized "ConnectEd," a conference on issues in international education at Monterey, California, attended by more than 400 higher education professionals and administrators from 24 different countries.

Mission Statement

The Middlebury College Board of Trustees adopted the following Mission Statement on March 2, 2006.

> *At Middlebury College we challenge students to participate fully in a vibrant and diverse academic community. The College’s Vermont location offers an inspirational setting for learning and reflection, reinforcing our commitment to integrating environmental stewardship into both our curriculum and our practices on campus. Yet the College also reaches far beyond the Green Mountains, offering a rich array of undergraduate and graduate programs that connect our community to other places, countries, and cultures. We strive to engage students’ capacity for rigorous analysis and independent thought within a wide range of disciplines and endeavors, and to cultivate the intellectual, creative, physical, ethical, and social qualities essential for leadership in a rapidly changing global community. Through the pursuit of knowledge unconstrained by national or disciplinary boundaries, students who come to Middlebury learn to engage the world.*

This new mission statement reflects a significant goal of President Liebowitz's presidency in recognizing more prominently, and capitalizing more fully on, the unique strengths of the College that have gradually emerged over the last century. Middlebury College is not simply an undergraduate institution of approximately 2,450 students. It also encompasses several graduate and specialized programs that take place during the summer and academic year, in the United States and in other countries. It includes ten intensive Language Schools that enroll approximately 1,500 students each summer, taught by 290 faculty members (including the ten Directors); Middlebury at Mills, launched in 2009, which offers undergraduate instruction in Arabic, French, and Spanish; The C.V. Starr-Middlebury Schools Abroad, which enroll approximately 140 graduate students and 180 undergraduates yearly; the Bread Loaf School of English, which enrolls approximately 500 students at four sites; and the prestigious Bread Loaf Writers' Conference, with its approximately 230 attendees each summer at the Bread Loaf campus.

These programs offer great advantages, both educational and logistical, to the College. The Language Schools and Schools Abroad have solidified Middlebury's dominance in language learning and strength in international studies. The Bread Loaf programs embody a proud tradition in literature that is crucial to the College's traditional liberal arts identity. The College's affiliation with the Monterey Institute of International Studies, which commenced in 2005, expands Middlebury's commitment to language study to graduate professional programs that demonstrate the importance of language mastery to many careers and forms of public service.

Strategic Planning

Even before assuming the presidency in July 2004, President Liebowitz determined that the College would begin a strategic planning process that would be broadly inclusive and that would invite the participation of faculty members, staff, and students in unprecedented numbers. Strategic planning commenced in January 2005 with the formation of 15 strategic planning task forces and committees with more than 125 members. The task forces released their findings in May 2005. The Strategic Planning Steering Committee and President's Staff distilled more than 230 recommendations into 82 planning initiatives that were presented in the final plan that was unanimously adopted by the Middlebury Board of Trustees in May 2006.

The Middlebury plan, ***Knowledge Without Boundaries***, focuses substantially on the human dimension of the College. Among the many recommendations identified through the planning process, three strategic goals stand out as critical to Middlebury's future development.

- *Strengthen support for a diverse student community.*
- *Strengthen the academic program and foster intensive student-faculty interaction.*
- *Reinforce the role of the Commons as a place to bring together academic and residential life.*

The first strategic goal is to attract an ever-stronger and more diverse student body to Middlebury. Improved financial aid packages with a reduced reliance on borrowing, especially for families with the greatest need, has helped Middlebury College to attract the best students. The College is now in the third year of implementing this change. The second strategic goal recognizes that intensive interaction between faculty and students is at the core of Middlebury's mission as a liberal arts college, and thus the plan calls for enhancing faculty resources to help strengthen the academic profile of the College. To this end, the College's Educational Affairs Committee has been working on a plan for reallocating teaching resources to place greater emphasis on faculty-supervised senior independent work soon to be required of all students. The third strategic goal of the plan addresses the continued development of Middlebury's residential Commons system, the goal of which is to provide a seamless interface between academic life and other spheres of students' lives. Planning implementation to date emphasizes programming in the Commons. In 2007, a review of the assumptions of Commons residential life led to the concept of a 4-2 system in which students will be members of the same Commons for all four years and will be required to live within their Commons residences for the first two years. The Commons administration and faculty leaders have also worked to create a strengthened sophomore-year experience.

The College remains committed to the principles of the Strategic Plan, and significant progress has been made on many of the key recommendations in the Plan. The current economic climate has led the College to evaluate the costs of the full implementation of the Strategic Plan recommendations, and consider how it might achieve some of these same goals with fewer resources, or on a difference schedule than originally anticipated. At the same time, the College is in the midst of a substantial capital campaign, called The Middlebury Initiative, to provide endowment and other resources to fund the implementation of the recommendations. (See "Gifts and Grants").

Facilities

Middlebury College is located on a hill overlooking a small Vermont village and the Champlain Valley, with the Green Mountains visible to the east and Adirondacks to the west. Most of the College's buildings are constructed of gray limestone or white marble in colonial architecture.

The main campus in Middlebury comprises over 100 buildings on approximately 300 acres of land. The buildings provide laboratories and classrooms, faculty and administrative offices, a language center, an auditorium, a conference center, an art building, a theater, an observatory, a science center, guest houses, an infirmary, a chapel, a student center, a fine arts center, and 55 student residences. The College also includes athletic grounds, a natatorium, a hockey arena, a golf course and a three and one-half kilometer lighted cross-country ski trail. The Bread Loaf Campus is located 12 miles from the main campus near Bread Loaf Mountain. The mountain campus of 1,700 acres includes a residential building with a dining hall, the Davidson Library, a theater, 19 cottages and a large barn containing eight classrooms and a large social room. The Bread Loaf Campus is the site of the Carroll and Jane Rikert Ski Touring Center, a scenic and advanced trail system of over 35 kilometers for cross-country skiing. Located a short distance from the Bread Loaf Campus is the Middlebury College Snow Bowl with three chair lifts, a ski shelter and 14 alpine trails and slopes on 763 acres of land.

Academic Facilities

The Middlebury Library system has over one million holdings comprised of books, periodicals, government documents, music and video recordings, microfilm and microfiche, and provides access to digital books, and online music and periodical subscriptions. Access to the library's online catalog and circulation system is possible from the internet and campus network, including every residence hall room and faculty office. The College subscribes to over 3,500 periodicals, many now available online. Special collections include the Abernethy American Literature Collection, with many first editions and manuscripts and a collection of works by Robert Frost; the College Archives; and the Flanders Ballad Collection of traditional New England folk music. Middlebury has been a selective depository for U.S. Government documents since 1884. The College's 143,000 square foot main library opened in June 2004, a state of the art, environmentally sustainable facility with a total of 725 study seats, including 300 individual study carrels for students and faculty, 32 media viewing stations, 6 classroom spaces complete with computer and audio-visual presentation systems, 10 group studies, 2 media viewing rooms, 10 faculty offices, a periodical reading room that doubles as a lecture area, two large reading rooms on the upper level providing magnificent views of the campus and the surrounding village and countryside, 60 laptops and a variety of digital cameras and projectors that may be borrowed from the circulation desk, 128 computers available for use throughout the building, 2,000 network jacks for public and staff use throughout the facility, and 100% wireless computer/internet access throughout the building. The Music Library houses some 65,000 recordings, scores, books, and music reference works, along with 20 listening stations (eight which also have computers), four listening rooms, and study space. The Armstrong Science Library has over 100,000 volumes, including about 300 journals in biology, chemistry, geology and physics, 35,000 microforms, and 81,000 maps.

The Mahaney Center for the Arts, completed in 1992, provides needed space and facilities for the Middlebury Museum, the music department, a 400-seat concert hall, a dance-studio auditorium and the Seeler Studio Theater, a black box theater.

The Sunderland Language Center contains a computer lab and classroom, as well as three interactive learning centers with multi-media workstations for the delivery of interactive language programs and word processing in ten languages including Arabic, Russian, Japanese and Chinese. Satellite broadcasts of news and cultural programs from all over the world are received by the College and made available in many locations around the campus.

In the fall of 1999, the College opened McCardell Bicentennial Hall, an approximately 218,000 gross square foot state-of-the-art facility for the sciences. The structure houses the departments of biology, chemistry and biochemistry, computer science, geography, geology, physics and psychology. The building includes lecture halls, classrooms, laboratories, a science library, offices, and student/faculty research space. McCardell Bicentennial Hall's environmentally sensitive features are meant to be a fitting tribute to the study of the natural environment and related subjects that take place there.

The Franklin Environmental Center was completed in June 2007 and is housed in a renovated farmhouse that formerly served as a residence hall and then an office and classroom building. Hillcrest was renovated with sustainability as a primary focus, and is Middlebury's first LEED-certified project. The building houses 14 faculty and staff offices, a 100-seat "smart" classroom, studio space for Environmental Studies student projects, a student lounge area, and meeting rooms.

The Axinn Center at Starr Library, completed in spring 2008, provides an array of classrooms, 52 faculty offices, 4 staff offices and 4 departmental common areas. Teaching spaces include 3 regular classrooms, 3 seminar rooms, 2 screening rooms and the Abernethy Room, a grand historic space that can be used as a classroom or as a space for speaking engagements and receptions.

Athletic Facilities

Memorial Field House contains the Pepin Gymnasium for basketball, volleyball and badminton, as well as the Nelson Recreation Center, a modern fitness center, and training rooms. An energy-efficient natatorium with 50-meter pool and the Chip Kenyon '85 Arena, a 2,200 seat hockey arena that opened in January 1999 are adjacent to Memorial Field House.

Outdoor facilities include 60 acres of playing fields for intramural and intercollegiate competition, as well as 16 outdoor tennis courts and three platform tennis courts. An 18-hole golf course is on campus, as well as a lighted 3.5 kilometer cross-country ski trail that is also used for running and jogging. Middlebury has its own alpine and Nordic skiing areas at the Snow Bowl and on the Bread Loaf Campus.

Residence Halls, Dining Facilities, Student Center and Biomass Plant

Nearly all undergraduates attending Middlebury reside in College-owned buildings. In fall 2009, 2,456 students attend Middlebury, and more than 95% of them are accommodated in 23 residence halls and 32 residence houses that house from three to 250 students. In addition, a small number of students reside in off campus housing. Some students choose special-interest houses such as the language houses. There are three dining halls on campus which operate on varied schedules. McCullough Student Center houses the offices of Campus Activities and Leadership and provides space for a large social hall, the Grille, the MiddXpress convenience store, the post office, a game room, and the mail room.

In 2002, the College completed the construction of Ross Commons, a commons facility that includes both a residence hall as well as dining facilities on the site which lies to the south of Hadley/Milliken dormitory and to the west of Adirondack. The residence hall provides 67 bedrooms in suites of four and single rooms. This building, which is five stories tall, lies along Route 125 at the southern edge of the site. The commons facility contains a variety of program spaces, but primarily provides a kitchen and dining room for up to 300 and administrative offices.

In 2004, the College completed the construction of Atwater Commons, which consists of two residence halls totaling 155 beds in suite arrangements and a new dining hall seating 225 people. Atwater Commons was formerly composed of three buildings -- Coffrin Hall, Le Chateau and Allen Hall. The buildings completed in 2004 complement the existing structures and affirm Le Chateau as the "front door" of Atwater Commons.

In 2008, the College refocused its Commons program, establishing a "4/2" system that houses first and second year students in their Commons neighborhoods and gives juniors and seniors the opportunity to draw rooms across the campus. In this system, all students are members of the same Commons for all four years.

Construction of a Biomass (wood chip powered) gasification facility was completed in 2008 and began preliminary operation in January 2009. The plant was constructed adjacent to the existing Central Heating Plant at the Service Building and will reduce the College's carbon emissions by 12,500 metric tons annually. Full capacity operation as per the design was achieved in July of 2009.

Academic Programs

The College offers a broad curriculum during the academic year, as well as language programs abroad, summer language programs, and summer programs in English and writing. During each academic year, the College enrolls full-time students in programs leading to the Bachelor of Arts degrees and a few M.A. degrees in the sciences. Many students in the Bread Loaf School of English, the C.V. Starr Middlebury Schools Abroad, and the summer language programs pursue Master of Arts, Master of Letters, or Doctor of Modern Languages degrees. Other students in the Language Schools earn undergraduate or graduate credits.

The Undergraduate Curriculum

The purpose of a liberal arts education at Middlebury is to give every student a broad understanding of human thought and experience and detailed knowledge of at least one area of intellectual inquiry. In keeping with this purpose, students work intensively in one or more departments and complete requirements and electives in fields outside their area of specialization. All students must complete a set of distribution requirements that encompass seven academic categories and four courses in different cultures and civilizations. Students must also complete two writing-intensive courses before the end of their junior year. One of these is a first-year seminar, taken in the student’s first semester at Middlebury, with a faculty member who also serves as the academic advisor for the students enrolled in the seminar.

Students choose a major no later than the end of their third semester in one of the College’s 45 established majors in academic departments and in interdisciplinary programs. The requirements for the baccalaureate degree are generally completed within eight semesters. The annual calendar of the College consists of a 13-week Fall Term, a four-week Winter Term, and a 13-week Spring Term, plus two one and one half week final examination periods. Students take four courses in each 13-week term and a single course during the Winter Term. A total of 36 course credits is required for graduation, of which at least 18 must be Middlebury courses. Courses taken at the Language Schools or Schools Abroad count towards this total.

In part because Middlebury attracts students interested in its strong language programs, international academic programs have been developed. The International Studies major includes programs in East Asian Studies, Russian and East European Studies, Latin American Studies, African Studies, Middle East Studies, and European Studies. This major has a strong foreign language element, and requires study abroad. Students from each area of study come together for senior work in a team-taught senior seminar. Other areas of special academic emphasis in the undergraduate curriculum include environmental studies and literature.

Languages at Middlebury

Since the summer of 1915, the main campus has been devoted each summer to the intensive study of languages ranging from beginning to graduate and post-graduate levels. The summer Language Schools offer programs in German, French, Spanish, Italian, Russian, Chinese, Japanese, Arabic, Portuguese, and Hebrew (in collaboration with Brandeis University). All programs of study at the summer language schools emphasize the development of language skills and the understanding of other cultures. All classes, from beginning courses through the doctoral level, are taught in the foreign language. Advanced programs feature study in culture, history, language pedagogy, linguistics, literature, music, and theater.

Schools Abroad

During the academic year, the Middlebury College Schools in Argentina (Buenos Aires and Tucumán), Brazil (Belo Horizonte, Florionópolis, and Niterói), Chile (Concepción, La Serena, Santiago, Temuco, Valdivia, and Valparaíso), China (Beijing, Hangzhou, and Kunming), France (Bordeaux, Paris, and Poitiers), Germany (Berlin and Mainz), Italy (Ferrara, Florence, and Rome), Mexico (Guadalajara and Xalapa), the Middle East (Alexandria, Egypt), Russia (Irkutsk, Moscow, and Yaroslavl), Spain (Córdoba, Getafe, Logroño, and Madrid), and Uruguay (Montevideo) offer courses appropriate to the undergraduate degree program, and in Berlin, Florence, Madrid, Mainz, Moscow, and Paris to graduate degree programs.

Most Middlebury students engaged in the study of a modern language, either as part of a language and literature or culture major, or in conjunction with an international studies major, spend part or all of their junior year in one of the Schools Abroad. Study abroad allows students to profit from a rich cultural experience and to achieve a level of academic and personal growth not easily attained in familiar surroundings. The Schools Abroad offer varied intellectual challenges, often in conjunction with foreign university systems, while emphasizing as high a degree of academic and social immersion as is possible and encouraging student independence, all of which, it is hoped, will make possible an experience that will impart special meaning and depth to the understanding of foreign languages and cultures.

The Middlebury-Monterey Language Academy

Middlebury, in collaboration with the Monterey Institute (See "The Monterey Institute of International Studies"), offers 4-week intensive summer language camps for middle and high school age students. Students study Arabic, Chinese, French, and Spanish, with plans for future expansion, including a site at Oberlin College in 2010. An additional site offers language programs in conjunction with Johns Hopkins' Center for Talented Youth.

Graduate Programs

Middlebury College awards the Master of Arts and Doctor of Modern Languages degrees in Chinese, French, Spanish, German, Italian, and Russian. The Master of Arts and Masters of Letters are awarded to students completing degree programs in the Bread Loaf School of English. In addition, the College awards the Masters of Science degree in biology.

The Monterey Institute of International Studies

The Monterey Institute of International Studies ("MIIS" or the "Institute"), located in Monterey, California, includes the Graduate School of International Policy Management, the Graduate School of Translation and Interpretation and Language Education, and enrolls approximately 770 students. The Institute also includes the internationally renowned James Martin Center for Nonproliferation Studies and Center for East Asian Studies.

Prior to 2004, MIIS had experienced financial difficulties and had been seeking an affiliation or similar transaction with another educational institution to continue to expand MIIS's program offerings and improve its financial performance. In 2005, the College and MIIS determined that an affiliation of the two institutions could provide both with improved educational opportunities by coordinating their complementary programs to establish the leading academic programs in international studies and foreign languages. They also determined that an affiliation could enable Middlebury to provide financial and administrative support to MIIS, creating financial efficiencies for MIIS, enabling improvements in MIIS's physical facilities and systems, and fostering improved enrollment growth for MIIS. Accordingly, Middlebury and MIIS pursued the affiliation as a means of promoting the educational missions of each of their organizations.

Middlebury College and the MIIS entered into an affiliation in December 2005, establishing a relationship between the two institutions by which they can combine their strengths and expertise in international education, language teaching, and cultural studies. Pursuant to the affiliation arrangement, MIIS remains an independent 501(c)(3) non-profit corporation. Middlebury College, acting through its Board of Trustees appoints the members of the Board of Trustees of MIIS and has certain other governance rights. Additionally, so long as the affiliation remains in place, Middlebury College has agreed to provide certain financial support to MIIS, if necessary. As of October 31, 2009, the College has loaned the Institute $2.8 million, of which $1.7 million was outstanding. Payments are made monthly to the College.

This affiliation allows both institutions to be at the forefront of shaping international education, based on language proficiency and cultural understanding. It also provides additional networking opportunities for students and alumni and it will likely lead to innovative research and teaching opportunities for faculty from both Middlebury and Monterey. Starting in fall of 2010, integrated degree programs in Nonproliferation and Terrorism Studies and International Policy Studies will enable students to complete both a B.A. and a M.A. degree in five years; additional 4+1 programs in Teaching Foreign Languages and Environmental Policy are expected to be available in 2010 or 2011.

As described in more detail in the forepart of this Official Statement, Appendix B to this Official Statement contains the consolidated financial statements of Middlebury College, which includes the Institute due to the governance structure by which the affiliation has been established. Middlebury College is the only party obligated with respect to the Series 2009 Bonds; the Institute is not. All financial information in this Appendix A except under this heading "The Monterey Institute of International Studies" is for Middlebury College only.

Middlebury maintains the ability to fully acquire MIIS or separate completely from its current affiliation.

As a result of the affiliation with Middlebury, $12.1 million in contributions were made by Middlebury donors for the purpose of rebuilding the Institute's infrastructure in the areas of facilities, information technology, faculty and staff positions, and financial aid. On October 14, 2008 Middlebury College unconditionally and irrevocably guaranteed $21.525 million of MIIS Revenue Bonds.

The table below sets forth a summary of MIIS financial information for the last five years.

Monterey Institute of International Studies
Financial Information

	Fiscal Year Ended June 30				
	2009	2008	2007	2006	2005
Balance Sheet					
Unrestricted Net Assets	$ 237,000	$2,173,000	$3,056,000	$(1,193,000)*	$(870,000)
Total Net Assets	20,932,000	22,035,000	18,808,000	13,017,000	7,923,000
Total Cash and Investments	18,552,000	16,422,000	17,526,000	14,182,000	7,806,000
Total Long-Term Debt	23,326,000	24,689,000	24,588,000	24,073,000	23,752,000
Plant, Property and Equipment	19,517,000	19,964,000	20,701,000	18,840,000	19,338,000

* Includes a one time $363,000 charge for Conditional Asset Retirement Obligation.

	2009	2008	2007	2006	2005
Operations					
Total Revenue	$32,087,000	$32,701,000	$28,118,000	$30,831,000	$23,343,000
Total Expense	31,461,000	29,155,000	26,629,000	26,110,000	22,326,000
Total Change in Operating Net Assets	$ 626,000	$3,546,000	$1,489,000	$4,721,000	$1,017,000

At the January 23, 2010 MIIS Board meeting, MIIS is expected to approve the merger with and into Middlebury College with an effective date of June 30, 2010. Middlebury College's board is expected to approve the merger on February 20, 2010. If approved, Middlebury College will be the surviving corporation and the separate corporate existence of MIIS shall cease. Middlebury College shall thereupon and thereafter succeed to and possess all of the rights, privileges and powers, immunities, and franchises of MIIS; and all property and assets of MIIS of every kind and description, whether real or personal, tangible or intangible, shall be taken and deemed to be transferred to and vested in Middlebury College, as the surviving corporation. Any bequest, devise, gift, grant or promise contained in a will or other instrument of donation, subscription, or conveyance which is made to MIIS after June 30, 2010 shall inure to Middlebury College as the surviving corporation. Middlebury College shall also assume and become liable for all liabilities and obligations of MIIS. Those MIIS faculty with existing employment contracts with MIIS shall receive term appointments (as defined in the Middlebury College Handbook) with Middlebury College for the duration of their existing contract term.

Middlebury College Faculty and Staff

Faculty

For the academic year starting Fall 2009 the faculty had a full-time teaching equivalent of 277. Approximately 95 percent of the full-time faculty holds doctorates or terminal degrees, and although the primary focus of their work is on teaching, the faculty is active in scholarly research and writing.

The following table provides data pertaining to the Middlebury faculty (excluding the summer Language Schools) for the past five years, including the faculty/student ratio expressed per full-time teaching equivalent ("FTE"):

The following table presents undergraduate enrollment data for the past five years.

	Fall 2009	Fall 2008	Fall 2007	Fall 2006	Fall 2005
	2009-10	2008-09	2007-08	2006-07	2005-06
Full-Time Faculty	260	249	249	254	254
Part-Time Faculty	51	62	56	53	46
Faculty FTE*	277	270	268	272	269
Full-Time Students	2,456	2,430	2,475	2,363	2,420
Part-Time Students	26	25	25	43	35
Student FTE*	2,465	2,438	2,483	2,377	2,432
Faculty/Student Ratio	9:1	9:1	9:1	9:1	9:1

* Part-time faculty members and students count as one-third of a full-time faculty member or student.

In 2009, the summer Language Schools had a faculty of 290 (including the ten Directors), most of whom taught their native language.

Staff

As of June 30, 2009 the College had 879 full-time equivalent staff employees, consisting of 783 full-time employees and 96 part-time staff employees. These figures include administrative staff and officers not on faculty appointment. The College's employees are not unionized.

Student Enrollment

Applications have increased 31 percent since 2005-06. The quality of the applicant pool has also increased steadily over this same time period, with 87 percent of the Class of 2013 ranked in the top 10 percent of their high school class. Early decision applications have also increased by 29 percent over this period, suggesting that Middlebury is a first choice college for many students.

The following table presents undergraduate enrollment data for the past five years.

	Fall 2009	Fall 2008	Fall 2007	Fall 2006	Fall 2005
	2009-10	2008-09	2007-08	2006-07	2005-06
Number of Full Time Students[1]	2,456	2,430	2,475	2,363	2,420
Number of Applications	6,904[3]	7,823	7,180	6,205	5,256
Number of Acceptances	1,413	1,316	1,479	1,339	1,494
Number of Matriculants	604	576	644	563	553
Graduation rates[2]	93%	91%	94%	94%	90%
Freshman in top 10% of HS Class	87%	86%	82%	82%	84%

[1] Fall semester, on campus
[2] % of matriculated first-year students who received a bachelor's degree from the College within six years. Rate for Fall 2009-10 is based on Fall 2002 cohort.
[3] For academic year 2009-2010, the College changed its policy and required applicants to pay an application fee or obtain a fee waiver at the beginning of the application process. The College believes this is the principal reason behind the decrease in applications for academic year 2009-2010.

The summer Language Schools have enrolled over 47,000 students since being founded in 1915. The table below sets forth the enrollment figures for the summer Language Schools:

	Summer 2009	Summer 2008	Summer 2007	Summer 2006	Summer 2005
Summer Language Schools	1,483	1,354	1,345	1,330	1,302

Tuition and Fees

Middlebury students are normally required to live on campus and dine in College facilities. The College charges a single comprehensive fee that includes room and board, tuition and other fees. The current goal of the College is to limit the rate of increase in the comprehensive fee to inflation plus one to two percent. The comprehensive fee for the past five years was as follows:

2009-2010	$50,780
2008-2009	49,210
2007-2008	46,910
2006-2007	44,570
2005-2006	42,340

In addition, the College collects fees, including tuition and room and board fees, in connection with the summer programs and the schools abroad. For Summer Sessions in 2009, the aggregate fees charged to each student enrolled in the summer program ranged from $5,595 to $9,395, depending on the length of the program. The 2009-2010 program fee for a full year of study at the schools abroad ranged from $19,000 to $31,000.

Financial Aid

Middlebury's policy is to admit the most highly qualified students regardless of their families' finances and the College meets the full demonstrated financial need of all of its undergraduate students. Admissions decisions at Middlebury are not influenced by applications for financial aid. The Board of Trustees can amend this policy at any time in the future.

Middlebury administered nearly $40 million in institutional grant aid in 2008-09 for its undergraduate, graduate and summer program aid populations. About 43 percent of all Middlebury students receive need-based financial aid. The following table indicates the distribution of Middlebury College funds:

	2008-09	2007-08	2006-07	2005-06	2004-05
Undergraduate On-Campus & Students Abroad	$33,770,000	$30,900,000	$28,221,200	$25,778,500	$23,292,000
Summer Programs (Language Schools & Bread Loaf)	4,300,000	3,495,000	3,146,800	2,605,000	2,465,000
Other*	1,754,000	1,006,000	1,283,000	609,000	820,000
TOTAL	$39,824,000	$35,401,000	$32,651,000	$28,992,000	$26,577,000

*Includes financial aid for graduate students abroad, federal awards and other assistance.

In fiscal 2010, it is anticipated that approximately $41,700,000 of financial aid will be distributed by Middlebury.

Financial Activities

Middlebury's financial statements are prepared on the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Organizations.*

The tables below set forth summaries of the College's financial information for the last five years.

Operating Revenues and Expenses

	Year Ended June 30				
	2009	2008	2007	2006	2005
REVENUES					
Net Comprehensive and Other Student Fees	$100,059,000	$98,226,000	$90,830,000	$89,132,000	85,272,000
Contributions	18,422,000	17,866,000	21,278,000	29,281,000	14,802,000
Investment Return	53,575,000	44,450,000	55,915,000	47,886,000	44,667,000
Other	14,785,000	14,360,000	15,023,000	15,658,000	14,631,000
	$186,841,000	$174,902,000	$183,036,000	$181,957,000	$159,372,000
EXPENSES AND CHARGES					
Instruction	$59,214,000	$55,251,000	$52,568,000	$48,400,000	$45,262,000
Other Educational and General	95,079,000	91,076,000	87,368,000	84,040,000	78,839,000
Auxiliary	36,638,000	37,653,000	35,423,000	34,527,000	31,612,000
Other	105,000	109,000	96,000	84,000	159,000
	$191,036,000	$184,089,000	$174,465,000	$167,051,000	$155,872,000

Change in Net Assets

	Year Ended June 30				
	2009	2008	2007	2006	2005
Change in Net Assets	($209,210,000)	($71,814,000)	$195,981,000	$79,791,000	$32,842,000

Net Assets by Type

	Year Ended June 30				
	2009	2008	2007	2006	2005
Unrestricted	$270,981,000	$700,858,000	$766,385,000	636,144,000	$569,354,000
Temporarily Restricted	322,147,000	101,871,000	114,701,000	92,577,000	92,484,000
Permanently Restricted	249,657,000	249,266,000	242,723,000	199,107,000	186,199,000
Total	$842,785,000	$1,051,995,000	$1,123,809,000	$927,828,000	$848,037,000

Budgeting Procedures

Middlebury's annual budget is based on detailed budgets submitted by each of Middlebury's departments and reviewed and amended by the President and other senior officers prior to final approval by the Board. Responsibility for controlling expenditures within an department rests with a dean, department head, or budget administrator. Certain budgets are reviewed and monitored centrally by the Budget Director and/or Controller to assure conformance with Middlebury's fiscal policies, contractual obligations to program sponsors and restrictions of donors. Capital facilities requirements of Middlebury are reviewed in depth by the administration.

Gifts, Grants, and Bequests

Middlebury successfully completed its $200 million Bicentennial Campaign in 2001, raising $213 million. This comprehensive campaign supported capital and program developments, including the largest interdisciplinary classroom building at the College, new facilities to enhance the athletics program, curricular innovation, and an increased infrastructure, including staff and faculty. In addition, the campaign increased endowment funds to enhance financial aid, enabling the College to continue to offer admission to qualified students regardless of their ability to pay.

Middlebury also successfully met a $40 million challenge in 2003 to increase endowment for key objectives and current operations. In recognition of earlier achievements and confidence in the future direction of the College, Middlebury received a $50 million commitment and a separate $10 million commitment in May 2005 to be designated at the discretion of the president and to serve as a challenge to other donors to increase their support for the College.

In May 2007, the Middlebury College Board of Trustees unanimously approved a $500 million goal for a comprehensive capital campaign called "The Middlebury Initiative" to meet the objectives outlined in the strategic plan (see Strategic Planning). The principal goal of the campaign is to raise endowment for financial aid and faculty support. The public phase of the campaign was launched in the fall of 2007 and a total of $311 million has been raised as of November 30, 2009. Progress toward the $500 million goal slowed in late 2008 and early 2009 as donors held back on making multiple year pledges. The recession will likely require the College to extend the timetable for the campaign by one year to 2013. The College Advancement Office successfully focused on meeting the annual fund goal and donor participation, setting a record with 62% alumni participation, the highest level of participation recorded in the country for the 2008-9 academic year.

The following table shows the annual totals of the gifts and bequests received for the past five years.

Gifts and Bequests

	Year Ended June 30				
	2009	2008	2007	2006	2005
Unrestricted	$16,353,000	$17,061,000	$26,793,000	$18,434,000	$9,017,000
Temporarily Restricted	5,729,000	12,201,000	20,258,000	20,533,000	15,987,000
Permanently Restricted	5,377,000	12,851,000	41,735,000	10,019,000	8,638,000
Total	$27,459,000	$42,113,000	$88,786,000	$48,986,000	$33,642,000

In addition, in the past five years, the College has received the following government, corporate and foundation grant amounts (excluding federally funded financial aid):

Grant Amounts

	Year Ended June 30				
	2009	2008	2007	2006	2005
Grants	$3,267,000	$2,912,000	$3,958,000	$5,136,000	$4,006,000

Endowment and Investments

The Investment Committee of the Board of Trustees is responsible for oversight of the endowment. The endowment's financial and investment objectives are to provide a stream of resources in support of the Middlebury College mission, to enhance its real (inflation-adjusted) purchasing power, and to provide support for Middlebury College capital investment needs as they arise. The Investment Committee exercises its oversight responsibility through an Investment policy and regular review of endowment performance.

The stated investment objective is to earn a long-term (10 years or longer) net investment total return at least equal to the sum of the College's spending rate and the rate of growth in expenses at the College. The rate of growth in expenses reflects inflation pressures as well as real growth in the College's program. The long-term spending rate target should not exceed five percent of the 12-quarter average market value of the spendable base of the endowment. While the five percent spending rule is a long-term objective, the spending rate may exceed the five percent threshold for short time periods. In February 2002, the College's Board of Trustees approved investments in facilities and authorized spending in excess of the 5% guideline until 2008-2009. The spending rate in fiscal year 2009 (2008-2009) was 5% and is also 5% in fiscal year 2010 (2009-2010).

In light of the endowment's growing size and importance to the College, as well as the rising number and complexity of the investment strategies that well-managed endowments are increasingly employing, the College embarked on a comprehensive endowment management review starting in late 2004. In June 2005, the Investment Committee completed its comprehensive review of Middlebury's endowment management process and elected to hire Investure, LLC to serve as the external investment office charged with the investment management of the endowment. In conjunction with College finance staff, Investure is responsible for implementing and administering the Investment Policy and ensuring compliance with all Investment Policy guidelines and standards.

Investure was started in 2004 by former University of Virginia Chief Investment Officer Alice Handy and several colleagues who collectively are a very highly regarded team with extensive investment experience, particularly in alternative assets. The Investment Committee retains full fiduciary responsibility for the endowment and is actively involved in the decision-making process for asset allocation and manager selection. Middlebury staff manages the day-to-day relationship with Investure and other investment service providers.

Summaries of investments recorded at the beginning and end of the fiscal year are shown in the table below. As of June 30, 2009, the $754 million in total investments was comprised of the $691 million commingled investment pool, $60 million in charitable trusts and other separately invested assets, and $3 million in excess operating cash reserves.

Net returns for the commingled investment pool ending June 30, 2009 were -15.9% for 1 year, 0.3% for 3 years, 5.1% for 5 years, and 5.8% for ten years. As of November 30, 2009 the unannualized net return for the commingled investment pool for the first five months of fiscal year 2010 was 14.3%.

Total Investments Asset Allocation

End of Fiscal Years 2009 and 2008

	June 30, 2009		June 30, 2008	
		%		%
Money Market Funds	$35,251,000	4.7%	$27,262,000	2.8%
Due from broker (receivable)*	1,926,000	0.3%	15,808,000	1.6%
Equity Securities	229,045,000	30.4%	294,249,000	30.7%
Absolute Return	193,037,000	25.6%	255,596,000	26.6%
Debt Securities	57,088,000	7.6%	75,609,000	7.9%
Real Estate & Mortgages	27,174,000	3.6%	36,752,000	3.8%
Private Equity Partnerships	202,467,000	26.8%	221,985,000	23.1%
Other Investments	8,170,000	1.0%	32,068,000	3.3%
Total	$754,158,000		$959,329,000	

* These represent proceeds from investment redemptions that were payable to the College as of June 30, 2009 and 2008.

As of October 31, 2009, the market value of the College's total investments was approximately $821,000,000.

As of October 31, 2009, the College had $151 million in unfunded commitments to private partnerships and estimates that approximately 50% will be called within the next 12 months.

Neither principal nor income of funds currently on hand or received in the future that are restricted by the donor to purposes other than the general purposes of Middlebury College or the support of building projects may be used to make payments to the Vermont Educational and Health Buildings Financing Agency ("VEHBFA") pursuant to the Note or the Loan Agreement which are to be applied to debt service on the Bonds or to meet the claims of general creditors.

Middlebury College's Response to the Economy

Although the College is in a relatively strong position compared to most institutions of higher education, the impact of the most recent turmoil in the economy was and will continue to be felt throughout higher education.

The College's financial health relies on its level of spending and three revenue sources: endowment performance, fundraising, and revenue from the student comprehensive fee. The College cannot predict with certainty the results of the first two revenue generators, though they are likely to be less than previously planned, and there are limits to how much the College can and wants to raise the third - the comprehensive fee. The College does, however, have control over its spending.

In the Fall of 2008, facing projected future deficits, the College immediately froze open positions, reduced discretionary non-salary budgets by 5%, slowed the rate of adding new faculty, and significantly reduced the amount of capital expenditure on campus. A Budget Oversight Committee was convened, chaired by the College's chief financial officer, to recommend further budget reductions. In addition to the above measures, the College instituted a salary freeze for fiscal years 2010 and 2011, and the President and his staff took pay cuts in fiscal 2010. The College also implemented an early retirement program to enable staff to voluntarily leave the College. As a result of freezing open positions, implementing an early retirement program, and normal attrition, the College has 94 less full time equivalent staff when compared to the same time last year (October 31, 2009 vs. October 31, 2008). As the result of a campus-wide staffing analysis, the College is planning to reduce staff positions even further to get to a baseline staff full time equivalent number of 850, which will require a further reduction in over 50 positions. The College has recently initiated a second early retirement program and a new voluntary separation program to achieve the necessary reductions. Unrelated to the staff reduction programs, but nevertheless a program that could produce budget savings, is a recently initiated faculty retirement incentive program.

As a result of the measures above and other lesser measures, the College has cut approximately $18 million from its budget and is finalizing plans to address any remaining projected budget shortfalls.

Long Term Debt

The amount of the College's long-term debt at June 30, 2009 totaled $269,473,000. The College's long term debt included the following:

- $53,480,000 outstanding principal amount of VEHBFA Series 2008B bonds due on November 1, 2026 (variable rate)

- $35,425,000 outstanding principal amount of VEHBFA Series 2006A bonds due on October 31, 2046 (fixed rate)

- $20,000,000 outstanding principal amount of VEHBFA Series 2002B bonds due on November 1, 2032 (variable rate)

- $54,805,000 outstanding principal amount of VEHBFA Series 2002A term bonds of which $4,805,000 is due on November 1, 2022 and $50,000,000 is due on November 1, 2032 (fixed rate)

- $12,510,000 outstanding principal amount of VEHBFA Series 2002A serial bonds with annual payments increasing from $810,000 in 2008 to $1,440,000 in 2020 (fixed rate)

- $60,000,000 outstanding principal amount of VEHBFA Series 1999 bonds due on November 1, 2038 (fixed rate)

- $32,550,000 outstanding principal amount of adjustable rate VEHBFA Series 1988A bonds, half of the principal amount of which are scheduled to mature on November 1, 2027 and half on May 1, 2028 (variable rate)

- $703,000 outstanding principal amount of other debt, mainly the Series 1968 and Series 1970 issues (fixed rate)

The proceeds of the 2009 Bonds will be used to current refund the Series 1999 bonds described above.

Effective as of October 14, 2008, Middlebury College entered into a guarantee of MIIS's obligations in connection with its tax-exempt bond debt. The effect of this guarantee was to lock in an interest rate reduction that had been granted by the bondholders of MIIS's tax-exempt bonds at the time of the affiliation and to allow the release of certain reserve funds that had previously been required by the terms of MIIS's tax-exempt bonds. See "The Monterey Institute of International Studies" above.

The College has an interest rate swap agreement with respect to the Series 2008B bonds described above, pursuant to which the College pays a fixed rate of 4.76% and receives a variable rate based on a percentage of 1-month London Interbank Offer Rate (LIBOR) on the notional amount of the swap, currently $51,225,000. The notional amount adjusts downward to match the amortization of the Series 2006B bonds which were refunded by the Series 2008B bonds. The College has the right to terminate the agreement at any time at the prevailing market rate. The College is not required to post collateral under the terms of the swap.

The Town of Middlebury ("Town") is in the midst of a bridge and road construction project known as the "Cross Street Bridge Project" ("Project"). The Project involves the construction of a new highway bridge over Otter Creek. The College believes that a second bridge over Otter Creek will improve timely emergency response for students, faculty and staff. The total cost of the Project is estimated at $16,000,000 and the Town has voted to finance the construction of the Project with a $16,000,000 bond. The College has agreed to commit itself to assist the Town in the financing by paying the Town the sum of $600,000 per year commencing after the bridge has been fully constructed and is available for use by the public and continuing until thirty (30) years thereafter. It is expected that the bridge will available for use in fall 2010.

Liquidity

The College had $270,981,000 of unrestricted net assets as of June 30, 2009. As of October 31, 2009, the College could liquidate approximately $38,000,000 of its investments within one day and $173,000,000 within one month. The College also has $75 million in lines of credit to fund short term working capital needs.

Real Estate

The College has long maintained a policy of acquiring land adjacent to the main campus and the Bread Loaf campus to preserve a rural and natural environment. The College owns over 2,900 acres of land near the towns of Ripton and Hancock, including the Bread Loaf campus and the Snow Bowl. The College also owns 2,535 acres of contiguous land in Middlebury, Weybridge, Cornwall, and New Haven and an additional 300 acres of woodlands elsewhere in Vermont. Delineation Corporation, an affiliate of the College, owns 865 acres of mainly farmland in the towns of Middlebury, Weybridge, Cornwall, and New Haven.

Retirement Plan

Retirement benefits for substantially all Middlebury employees are individually funded under a defined-contribution program with Teachers Insurance and Annuity Association of America and the College Retirement Equities Fund ("TIAA/CREF"). Under this arrangement, Middlebury and its employees make monthly contributions to TIAA/CREF to purchase individual retirement annuities. The College's portion of retirement expenses charged to operations were approximately $9,234,000 and $8,761,000 for the fiscal years ended June 30, 2009 and 2008, respectively.

Insurance

The College carries general liability insurance and casualty insurance policies covering property damage and loss in amounts which the College believes to be customary and adequate for a college of its size and character.

Litigation and Certain Proceedings

The College is subject to various suits in the normal course of its operations. No litigation or proceedings are pending or, to the knowledge of the College, threatened which would materially and adversely affect the financial condition of the College or its ability to make timely payment of all sums required under the Loan Agreement.

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Middlebury College

Consolidated Financial Statements
June 30, 2009 and 2008

Middlebury College
Index
June 30, 2009 and 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
185 Asylum Street, Suite 2400
Hartford, CT 06103-3404
Telephone (860) 241 7000
Facsimile (860) 241 7590

Report of Independent Auditors

To the President and Fellows of
Middlebury College

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Middlebury College (the "College") at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, in 2009, the College adopted FASB Staff Position No. 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.

PricewaterhouseCoopers LLP

September 25, 2009

Middlebury College
Consolidated Statements of Financial Position
June 30, 2009 and 2008

(in thousands)	2009	2008
Assets		
Cash and cash equivalents	$ 10,265	$ 3,830
Accounts receivable, net	4,591	4,943
Contributions receivable, net	46,698	54,120
Inventories, prepaid expenses and other assets	3,910	3,887
Deposits with bond trustees	1,558	13,532
Student loans receivable, net	24,748	23,795
Investments	757,072	964,010
Contributions receivable from remainder trusts	2,285	3,201
Interest in perpetual trusts held by others	20,589	25,708
Land, buildings and equipment, net	374,063	367,610
Total assets	$ 1,245,779	$ 1,464,636
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 37,730	$ 39,052
Funds held for others	3,887	4,374
Deferred revenues	20,016	18,029
Annuities and other split interest obligations	16,558	20,637
Refundable government loan funds	13,507	13,395
Long-term debt	290,364	295,119
Total liabilities	382,062	390,606
Commitments and contingencies (Note 11)		
Net assets		
Unrestricted	276,470	707,031
Temporarily restricted	327,267	107,621
Permanently restricted	259,980	259,378
Total net assets	863,717	1,074,030
Total liabilities and net assets	$ 1,245,779	$ 1,464,636

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

Middlebury College
Consolidated Statement of Activities
Year Ended June 30, 2009

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Operating revenues and other support					
Comprehensive and other student fees	$ 165,936	$ -	$ -	$ 165,936	$ 156,352
Less: Financial aid	(46,194)	-	-	(46,194)	(40,863)
Net comprehensive and other student fees	119,742	-	-	119,742	115,489
Contributions	14,684	6,471	-	21,155	23,377
Sponsored activities	9,752	-	-	9,752	8,511
Investment return				-	
Distribution	53,459	5,708	-	59,167	51,201
Other investment income	235	(5,330)	-	(5,095)	(5,931)
Other sources	12,080	66	-	12,146	12,630
Net assets released from restrictions	13,374	(13,374)	-	-	-
Total operating revenues and other support	223,326	(6,459)	-	216,867	205,277
Operating expenses					
Educational and general					
Instruction	70,943	-	-	70,943	67,287
Academic support	31,835	-	-	31,835	29,104
Student services	29,228	-	-	29,228	30,037
Institutional support	42,817	-	-	42,817	39,486
Sponsored activities	9,752	-	-	9,752	8,511
Total educational and general	184,575			184,575	174,425
Auxiliary enterprises	37,082	-	-	37,082	38,152
Other deductions	105	-	-	105	109
Total operating expenses	221,762	-	-	221,762	212,686
Change in net assets from operations	1,564	(6,459)	-	(4,895)	(7,409)
Nonoperating activities					
Endowment return, net of distribution	(83,734)	(115,231)	254	(198,711)	(77,784)
Contributions	2,851	1,100	5,579	9,530	24,986
Other investment income	3	47	-	50	663
Change in value of deferred gifts	(749)	375	(4,538)	(4,912)	159
Unrealized loss on interest rate swap	(2,449)	-	-	(2,449)	(2,548)
Campaign contributions	-	-	-	-	317
Campaign expenditures	(1,200)	-	-	(1,200)	(2,032)
Early retirement expense	(4,130)	-	-	(4,130)	-
Adjustment for funds underwater - fair value less than historic dollar value	(9,336)	9,336	-	-	-
Other	4,269	(7,172)	(693)	(3,596)	(4,939)
Net assets released from restrictions	1,494	(1,494)	-	-	-
Total nonoperating activities	(92,981)	(113,039)	602	(205,418)	(61,178)
(Decrease) increase in net assets before cumulative effect of adoption of UPMIFA statutes	(91,417)	(119,498)	602	(210,313)	(68,587)
Cumulative effect of adoption of UPMIFA statutes	(339,144)	339,144	-	-	-
(Decrease) increase in net assets	(430,561)	219,646	602	(210,313)	(68,587)
Net assets at beginning of year	707,031	107,621	259,378	1,074,030	1,142,617
Net assets at end of year	$ 276,470	$ 327,267	$ 259,980	$ 863,717	$ 1,074,030

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

Middlebury College
Consolidated Statement of Activities
Year Ended June 30, 2008

(in thousands)	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total
Operating revenues and other support				
Comprehensive and other student fees	$ 156,352	$ -	$ -	$ 156,352
Less: Financial aid	(40,863)	-	-	(40,863)
Net comprehensive and other student fees	115,489	-	-	115,489
Contributions	10,498	12,879	-	23,377
Sponsored activities	8,511	-	-	8,511
Investment return				
Distribution	49,594	1,607	-	51,201
Other investment income	376	(6,307)	-	(5,931)
Other sources	12,570	60	-	12,630
Net assets released from restrictions	17,265	(17,265)	-	-
Total operating revenues and other support	214,303	(9,026)	-	205,277
Operating expenses				
Educational and general				
Instruction	67,287	-	-	67,287
Academic support	29,104	-	-	29,104
Student services	30,037	-	-	30,037
Institutional support	39,486	-	-	39,486
Sponsored activities	8,511	-	-	8,511
Total educational and general	174,425	-	-	174,425
Auxiliary enterprises	38,152	-	-	38,152
Other deductions	109	-	-	109
Total operating expenses	212,686	-	-	212,686
Change in net assets from operations	1,617	(9,026)	-	(7,409)
Nonoperating activities				
Endowment return, net of distribution	(72,675)	(5,539)	430	(77,784)
Contributions	7,405	4,341	13,240	24,986
Other investment income	568	95	-	663
Change in value of deferred gifts	592	1,494	(1,927)	159
Gain on swap option	-	-	-	-
Unrealized loss on interest rate swap	(2,548)	-	-	(2,548)
Campaign contributions	-	317	-	317
Campaign expenditures	(2,032)	-	-	(2,032)
Reclassification of net assets for change in donor designation	-	5,475	(5,475)	-
Other	2,274	(7,955)	742	(4,939)
Net assets released from restrictions	389	(389)	-	-
Total nonoperating activities	(66,027)	(2,161)	7,010	(61,178)
Increase (decrease) in net assets	(64,410)	(11,187)	7,010	(68,587)
Net assets at beginning of year	771,441	118,808	252,368	1,142,617
Net assets at end of year	$ 707,031	$ 107,621	$ 259,378	$ 1,074,030

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

Middlebury College
Consolidated Statements of Cash Flows
Years Ended June 30, 2009 and 2008

(in thousands)	2009	2008
Cash flows from operating activities		
Change in net assets	$ (210,313)	$ (68,587)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	21,001	19,573
Amortization of bond issuance costs	92	90
Loss on defeasance of debt	-	754
Amortization of bond discount, net	50	49
Loss on disposal of buildings and equipment	16	223
Contributions receivable bad debt expense	1,890	1,421
Change in value of deferred gifts	(4,629)	180
Realized and unrealized losses on investments	144,705	37,797
Unrealized loss on interest rate swap	2,449	2,548
Unrealized loss on contributions receivable from remainder trusts	916	143
Unrealized loss on interest in perpetual trusts	5,119	2,178
Changes in operating assets and liabilities		
Accounts receivable	352	(1,025)
Contributions receivable	5,532	(4,488)
Inventories, prepaid expenses and other assets	(115)	(10)
Accounts payable and accrued expenses	2,665	(637)
Deferred revenues	1,987	(1,008)
Other	112	-
Gifts in kind	(206)	(1,014)
Increase in liabilities related to deferred gifts	2,855	1,335
Contributions received for long-term investments	(7,643)	(10,714)
Receipt of contributed securities	(1,302)	(12,260)
Net cash used in operating activities	(34,467)	(33,452)
Cash flows from investing activities		
Proceeds from sales of investments	346,607	304,337
Purchases of investments	(284,374)	(275,933)
Sale of contributed securities	1,302	12,260
Purchases of property and equipment	(28,347)	(36,354)
Student loans granted	(3,789)	(5,199)
Student loans repaid	2,836	3,242
Funds held for others	(487)	108
Proceeds utilized from deposits with bond trustees	11,974	11,276
Net cash provided by investing activities	45,722	13,737
Cash flows from financing activities		
Contributions and investment gain restricted for long-term investment	7,643	10,714
Payments to annuitants for deferred gifts	(2,305)	(2,484)
Proceeds from long-term debt	-	55,260
Payments on bonds and notes payable	(4,805)	(58,557)
Bond issue costs	-	(347)
Increase (decrease) in cash overdraft	(5,353)	4,851
Net cash (used in) provided by financing activities	(4,820)	9,437
Net increase (decrease) in cash and cash equivalents	6,435	(10,278)
Cash and cash equivalents at beginning of year	3,830	14,108
Cash and cash equivalents at end of year	$ 10,265	$ 3,830
Supplemental data		
Interest paid, net of interest capitalized	$ 12,590	$ 14,306
Contributed securities	1,302	12,260
Gifts in kind	206	1,014
Assets acquired and included in accounts payable	2,335	3,418

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

(in thousands)

1. Background

Middlebury College is a liberal arts college located in Middlebury, Vermont. The College was founded in 1800 and is a leading liberal arts college with an emphasis on literature, languages, international studies and environmental studies. Approximately 2,350 undergraduate students come from throughout the United States and seventy countries. Approximately 70% of the students are from outside of New England.

Over half of the students spend at least one semester off campus, primarily outside of the United States of America. In addition to the Middlebury campus, the College has schools located in France, Germany, Italy, Russia, Spain, Latin America, China and the Middle East.

The College's summer program, enrolling more than 2,400 students, consists of ten language schools and the Bread Loaf School of English and Middlebury-Monterey Language Academy. Programs in French, German, Italian, Russian and Spanish are offered at both the undergraduate and graduate levels, with undergraduate courses offered in Arabic, Chinese, Japanese, Portuguese, and Hebrew. In addition to the summer courses offered in Vermont, the Bread Loaf School of English offers summer sessions in New Mexico, North Carolina, Mexico, and at Oxford in the United Kingdom. The Middlebury-Monterey Language Academy offers summer language immersion in Arabic, Chinese, French and Spanish for middle school and high schools students. This program operates in two locations; Green Mountain College in Poultney, Vermont and partners with Johns Hopkins University Center for Talented Youth at Bard College at Simon’s Rock in Great Barrington, Massachusetts.

Tax-Exempt Status
The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code.

The Institute qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is exempt from federal and state income taxation on related sources of income.

2. Summary of Significant Accounting Policies

Basis of Presentation
Middlebury College has four affiliated entities, Monterey Institute of International Studies (“MIIS”), Delineation Corporation (the "Corporation"), the President and Friends of Middlebury College and International Philanthropy. The Corporation is a nonprofit organization founded for the purpose of holding property for the College. The College advances funds to the Corporation for expenses incurred for the maintenance of real property. The President and Friends of Middlebury College was formed for the purpose of recording catering and retail dining operations of the College. International Philanthropy is a nonprofit for the purpose of receiving international contributions from international sources.

On June 23, 2005, the trustees of Middlebury College and the Monterey Institute of International Studies approved a letter of intent to make MIIS an affiliate of the College. The affiliation combines the strengths of two institutions renowned for their expertise in international education, language teaching, and cultural studies. Both institutions executed the affiliation agreement on December 2, 2005.

(in thousands)

The Institute is a nonprofit public benefit corporation, located in Monterey, California, providing higher education in international policy studies, international business, translation and interpretation, and language education.

The financial statements consolidate Middlebury College and its affiliated corporations, herein referred to as the "College". All interentity transactions have been eliminated.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and present net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by actions of the College and/or passage of time, as well as unspent appreciation.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by donor. Expirations in subsequent years of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from restrictions between the applicable classes of net assets.

The College charges undergraduate students attending the Vermont campus a comprehensive fee which includes the cost of tuition, room and board and fees. The Institute charges its graduate students tuition and related fees.

Auxiliary enterprises include the operations of the dining services, residential halls, College bookstore, Snowbowl and the golf course. Revenues from auxiliary enterprises, except for the revenue from residential and dining halls, are included in other sources of operating revenues in the statement of activities.

The revenues derived from residential and dining halls are included in the comprehensive fee.

Nonoperating activities include net realized and unrealized gains and losses on investments, less amounts distributed for operating purposes, permanently restricted contributions for long-term investment, temporarily restricted and unrestricted contributions for nonoperating activities, retirement expense for past service, net assets released from restriction for nonoperating purposes and the change in value of deferred gifts.

(in thousands)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The College's significant estimates include the valuation of its investments as well as the estimated net realizable value of receivables for contributions, gifts, pledges, student loans and accounts receivable, the estimated useful lives of buildings and equipment and its liabilities for its asset retirement obligation and its split interest agreements. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include interest-bearing money market accounts not held for investment purposes. Cash equivalents have scheduled maturities of three months or less at the date of purchase and amount to $10,265 and $3,830 at June 30, 2009 and 2008, respectively.

Contributions
Contributions, including interest in perpetual trusts held by others, are recognized as revenue in the period received at the fair value on the date of the contribution. Gifts of noncash assets are recorded at their fair value on the date of the contribution. Conditional promises to give are not recorded as revenue until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted operating or nonoperating revenue depending on the use of the proceeds.

Contributions of land, buildings and equipment without donor stipulations are reported as unrestricted nonoperating revenue. Contributions of cash or other assets which a donor has stipulated be used to acquire land, building and equipment are reported as temporarily restricted nonoperating revenue. The temporary restrictions are considered to be released when assets are placed in service.

Contributions Receivable
Contributions receivable include pledges that are recorded at their present value using discount rates ranging from approximately .98% to 6.40% through the year ended June 30, 2008. For 2009, the present value is calculated using the June 30, 2009 risk-free rate of return plus the credit risk the College assumes for uncollectible pledges which is 5.53%. An allowance is made for potentially uncollectible contributions based upon management's past collection experience and other relevant factors.

Inventories
Inventories are stated at lower of cost, utilizing the first-in, first-out method, or market.

(in thousands)

Deposits with Trustees
In connection with the issuance of long-term debt, the College and the Institute are required to maintain certain funds in a restricted account. The funds maintained by the Institute were established and withdrawn solely for the purpose of making up any deficiency in the bond fund including amounts for the repayment or redemption of all bonds then outstanding. In 2008, the College unconditionally and irrevocably guaranteed all of the Institute's borrowings under its California Development Agency loan. Because of the aforementioned guarantee, the Institute is no longer required to hold deposits with the Bond Trustee other than for a debt service reserve. The debt service reserve can and is being used to fund the semi-annual interest payments until the remaining balances are extinguished.

The College was required to deposit the proceeds from the 2006 Revenue Bonds Series A into this account to fund ongoing construction projects. The amount remaining in this account is the amount left to draw down by the College.

Deposits with trustees are carried at cost which approximates fair value.

Fair Value Measurements
In 2009, the College adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"), which establishes a framework for measuring fair value. The framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(in thousands)

The fair value of the College's investments is determined in the following manner:

Investments	**Value**
Short-term investments consisting principally of money market funds and short-term notes	At quoted market value which approximates cost
Equity securities and debt securities	At quoted market value or as determined by investment managers
Private equity partnerships	Estimated fair value determined by the general partner
Real estate, mortgages and other	Estimated fair value determined by the real estate partnership
Absolute return funds	Estimated fair value determined by the fund manager

The preceding methods described may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions, to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Because of the inherent uncertainty of valuations, the estimated values as determined by general partners and fund managers may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Derivatives
The College accounts for derivative financial instruments under Statement of Financial Accounting Standards No. 133, *Accounting for Derivatives and Hedging Activities*, ("SFAS 133"), as amended. Under the provisions of SFAS 133, all derivatives except those qualifying for the normal purchase/normal sale exception are recognized on the balance sheet at fair value. Fair value is determined using current quoted market prices. The College has entered into forward oil purchase contracts with certain suppliers for the purchase of oil for their heating and cooling plant to hedge the price exposure for the College's major fuel source. These agreements have met the normal purchase/normal sale exception under SFAS 133 and, therefore, have not been recorded on the College's statement of financial position. The College has also entered into foreign currency contracts and an interest rate swap which have been recorded on the College's statement of financial position. The College has also purchased and written put options on the S&P 500 index to hedge against an equity market downturn. These options are recorded on the balance sheet at fair value.

(in thousands)

Endowment
In 2009, the College adopted FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds ("FSP 117-1")*, which provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to a Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Vermont and California enacted their UPMIFA statutes in 2009. FSP 117-1 requires a change in net asset classification for certain donor created endowments previously classified as unrestricted net assets, as well as enhanced disclosures for endowment funds including information regarding endowment fund net assets, spending policies, and related investment policies. Due to the time constraint placed upon the use of the assets, they are considered temporarily restricted. This change in classification does not impact Board-designated endowments classified as unrestricted. The impact of the reclassification is to increase temporarily restricted net assets and decrease unrestricted net assets by $339,144 for the year ended June 30, 2009.

Contributions Receivable from Remainder Trusts
Donors have established irrevocable trusts under which the College is a beneficiary but not the trustee. The present value of the portion of the trust to be distributed to the College upon the termination of the trust is recorded as contributions receivable from remainder trusts.

Interest in Perpetual Trusts Held by Others
Interest in perpetual trusts held by others includes irrevocable trusts established for the benefit of the College whereby the principal is held in perpetuity by others and the earnings are remitted to the College. The interest in perpetual trusts is recorded at the fair value as of the date of the gift, and adjusted to fair value at year-end.

Land, Buildings and Equipment
Land, buildings, equipment, arts and antiques are recorded at cost at date of acquisition or fair value at date of gift. Depreciation is computed utilizing the straight-line method over the estimated lives of the depreciable assets, as follows:

Category	Range of Estimated Useful Lives (Years)
Land improvements	25
Buildings and Middlebury houses	20-60
Equipment	3-20

Arts and antiques are maintained as collections and, accordingly, are not depreciated.

(in thousands)

Asset Retirement Obligation
An asset retirement obligation ("ARO") is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the College records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The College derecognizes ARO liabilities when the related obligation is settled. The College has recorded an ARO liability in accrued expenses of $3,247 and $3,143 at June 30, 2009 and 2008, respectively.

Deferred Revenues
Deferred revenues consist primarily of student fees related to the College and its language schools. This liability account also consists of the multiyear prepayment plan, summer school billing (net of financial aid), and sponsored activity.

Annuities and Other Split Interest Obligations
Donors have contributed assets to the College in exchange for a promise that the College will pay the donor or other beneficiaries a fixed amount or percentage of assets over their lifetimes. The present value of these promises is a liability of the College and is recorded as annuities and other split interest obligations.

In addition, certain donors have made contributions to the College with the stipulation that their contributions be invested and all or a portion of the resulting income be paid to beneficiaries during their lifetimes. Upon the death of the named beneficiaries, the assets become the property of the College. The present value of the contributed assets is recognized as revenue at the time the assets are received and the difference between the assets contributed and the present value of the contributed assets is included in annuities and other split interest obligations.

Refundable Government Loan Funds
Refundable government loan funds represent Perkins loan funds provided to students by the federal government through the College. The College is required to collect the loans on behalf of the federal government. The amounts due from the students are reported in the College's financial statements as student loans receivable to the College. The amount due to the federal government, if the College should no longer participate, is reported as refundable government loan funds. It is not practicable to determine the fair value of student loans receivable because they are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and are subject to significant restrictions as to their transfer and disposition.

Functional Expenses
Depreciation, operations and maintenance costs and interest are allocated to the functional expense categories reported within the operating section of the statement of activities. Depreciation and operations and maintenance costs are allocated based upon the use of facilities and equipment. Interest is allocated based on specific identification of the use of debt proceeds.

Sponsored Activities
Sponsored activities include various research and instructional programs funded by external parties including the federal government, foreign and state governments, and private foundations.

(in thousands)

Campaign Activities
Campaign contributions and expenditures total the net cost of operating the *Middlebury Initiative*, a $500-million fundraising campaign to fund four strategic priorities: (1) access and opportunity, (2) teaching and mentoring, (3) programs and infrastructure, and (4) increasing institutional flexibility. The net cost of operating the *Middlebury Initiative* is reported as nonoperating activity on the statement of activities. Expected completion of the *Middlebury Initiative* is 2012.

Subsequent Events
The College adopted Statement of Financial Accounting Standards No. 165, *Subsequent Events* ("SFAS 165"). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Accordingly, management has evaluated subsequent events for the period after June 30, 2009 through September 25, 2009, the date the financial statements were available to be issued.

Reclassifications
Certain amounts in the 2008 consolidated financial statements have been reclassified to conform to the 2009 financial statement presentation.

3. Receivables

Accounts Receivable
Accounts receivable consists of receivables for annual comprehensive fees, graduate school tuition, schools abroad and summer school room, board and tuition. The provision for uncollectible amounts was $275 and $294 at June 30, 2009 and 2008, respectively.

Contributions Receivable
Contributions receivable consist of the following at June 30, 2009 and 2008:

	2009	2008
Due less than one year	$ 24,604	$ 19,236
One to five years	18,801	32,615
More than five years	10,380	15,270
	53,785	67,121
Less: Discount and allowance	(7,087)	(13,001)
	$ 46,698	$ 54,120

The allowance for uncollectible contributions receivable is $0 and $4,212 as of June 30, 2009 and 2008, respectively.

As of June 30, 2009 and 2008, the College had received conditional promises to give of $24,000 and $27,000, respectively. Because of their conditional nature, these gifts have not been recognized as contribution revenue by the College. During 2004, the College received a conditional pledge ("Challenge Grant") of $50,000 from an anonymous donor. The intention of the gift is to encourage more contributions of all sizes to the College. As of June 30, 2009, the College has recognized $26,000 of this pledge from the donor. The remaining portion of the conditional pledge will be recognized as future fund-raising goals are reached.

(in thousands)

The Institute received a conditional challenge pledge of $3,000 in December 2007. The intention of the gift is to encourage more contributions of all sizes to the Institute. As of June 30, 2009, the Institute has recognized $2,839 of this pledge. The remaining portion of the conditional pledge will be recognized as future fund-raising goals are reached.

Student Loans Receivable
Student loans receivable represents amounts due from students for federal and college approved loans. The provision for uncollectible amounts is $1,100 and $1,102 at June 30, 2009 and 2008, respectively.

4. Financial Instruments

Investments
Investments held by the College at June 30, 2009 and 2008 including pooled investments and other separately invested funds, were comprised of the following:

2009	Pooled	Separately Invested	Total at Fair Value
Money market funds	$ 34,562	$ 3,505	$ 38,067
Due from broker	1,858	-	1,858
Equity securities	185,543	40,446	225,989
Absolute return	193,037	-	193,037
Debt securities	45,868	9,846	55,714
Real estate and mortgages	16,300	6,389	22,689
Private equity partnerships	207,063	61	207,124
Other investments	6,460	6,134	12,594
	$ 690,691	$ 66,381	$ 757,072

2008	Pooled	Separately Invested	Total at Fair Value
Money market funds	$ 25,722	$ 5,762	$ 31,484
Due from broker	15,808	-	15,808
Equity securities	241,568	54,609	296,177
Absolute return	255,596	-	255,596
Debt securities	68,038	6,090	74,128
Real estate and mortgages	19,082	17,682	36,764
Private equity partnerships	221,985	-	221,985
Other investments	24,250	7,818	32,068
	$ 872,049	$ 91,961	$ 964,010

Included within equity securities, absolute return, private equities and real estate are alternative investments with a market value of $671,581 and $846,234 at June 30, 2009 and 2008.

(in thousands)

The College has developed a diversified endowment investment portfolio with a strong orientation to equity investments and to strategies designed to take advantage of market inefficiencies. The College's investment objectives are guided by the College's asset allocation policy and are achieved in partnership with external investment managers operating through a variety of vehicles, including separate accounts, limited partnerships, and commingled funds. Investments in real estate and mortgages include the College's investment in real estate partnerships.

The College's absolute return managers seek to generate high returns regardless of the direction of the overall stock market and may use derivatives to exploit inefficiencies in securities markets. Accordingly, derivatives in the College's investment portfolio may include currency forward contracts, interest rate and currency swaps, call and put options, debt and equity futures contracts, equity swaps and other vehicles that may be appropriate in certain circumstances. The College's risk is limited to the amount it has invested in the absolute return funds plus certain distributions received as well as legally obligated calls.

As of June 30, 2009 and 2008, the College had committed $169,601 and $240,321, respectively, of unrestricted net assets to be invested for long-term growth. These commitments are to fund private equity partnerships over a multi-year period. Long-term investments are liquidated as the funds are called.

The College has $134,429 and $161,047 of the investment portfolio at June 30, 2009 and 2008, respectively, invested in international securities. These investments are subject to the additional risk of currency fluctuations. Also included in investments are $34,373 and $47,296 at June 30, 2009 and 2008, respectively, for split-interest agreements.

Investment Shares

The following table summarizes the status and results of pooled investments at June 30, 2009 and 2008:

	2009	2008
Number of principal shares (not in thousands)	576,086.925	595,834.149
Market value per share (not in thousands)	$ 1,198.934	$ 1,463.577
Distribution per share (not in thousands)	$ 73.10	$ 75.17

For the years ended June 30, 2009 and 2008, the difference between distribution per share and dividends and interest earned per share was funded by realized gains of $42,777 and $45,681. During 2009 and 2008, distributions totaling $254 and $430, respectively, were added back to the principal in accordance with donor restrictions.

The Board of Trustees approves a distribution of investment return based on the average per share market value of the pooled investments over the twelve calendar quarters preceding the beginning of the next fiscal year.

(in thousands)

The components of total investment return from all sources consist of the following for the years ended June 30, 2009 and 2008:

	2009	2008
Interest, dividends, and other income	$ 245	$ 5,946
Realized (losses) gains, net	(4,527)	85,736
Change in unrealized gains, net	(140,307)	(123,533)
	$ (144,589)	$ (31,851)

During the year ended June 30, 2009, the College recognized $18,988 for the impairment of certain of its private equity investments where the decline in market value was determined to be other-than-temporary. In assessing whether the decline in fair value of these investments was other-than-temporary, the College determined that it does not have significant positive evidence to conclude that the decline was temporary. No impairment was recorded for the year ended June 30, 2008.

Direct, external investment management fees were $2,651 and $4,064 in 2009 and 2008, respectively, and are netted against interest, dividends and other income in the statement of activities. Purchase and sale transactions are recorded on a trade date basis.

(in thousands)

The following table represents the College's financial assets and liabilities by level as of June 30, 2009:

June 30, 2009	**Fair Value**	**Fair Value Measurements** Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Money market funds	$ 38,067	$ 38,067	$ -	$ -
Due from (to) broker	1,858	(59)	-	1,917
Equity Securities	225,989	40,689	-	185,300
Absolute return	193,037	-	-	193,037
Debt securities	55,714	8,225	-	47,489
Real estate and mortgages	22,689	3,467	-	19,222
Private equity partnerships	207,124	-	1,764	205,360
Other investments	12,594	-	-	12,594
Total investments	757,072	90,389	1,764	664,919
Remainder trusts	2,285	-	-	2,285
Perpetual trusts	20,589	-	-	20,589
Total assets at fair value	$ 779,946	$ 90,389	$ 1,764	$ 687,793
Liabilities				
Interest rate swap liability	$ 10,257	$ -	$ 10,257	$ -
Total liabilities at fair value	$ 10,257	$ -	$ 10,257	$ -

The following table sets forth a summary of changes in the fair value of the College's level 3 assets for the year ended June 30, 2009:

Beginning balance at June 30, 2008	$ 820,731
Net realized and unrealized loss	(135,805)
Purchases, sales, issuances, and settlements, net	2,867
Balance at June 30, 2009	$ 687,793

(in thousands)

5. Land, Buildings and Equipment

Land, buildings and equipment at June 30, 2009 and 2008 consist of the following:

	2009	2008
Land and land improvements	$ 49,411	$ 47,029
Buildings	477,441	441,228
Equipment	60,572	57,731
Equipment capital leases	17	17
Art/antiques	10,899	10,527
Construction in progress	2,530	17,005
	600,870	573,537
Less accumulated depreciation	(226,807)	(205,927)
	$ 374,063	$ 367,610

Interest costs totaling $1,522 and $1,372 were capitalized as of June 30, 2009 and 2008, respectively.

Total depreciation expense as of June 30, 2009 and 2008 was $21,001 and $19,573, respectively.

(in thousands)

6. Long-Term Debt:

Long-term debt is comprised of the following at June 30, 2009 and 2008:

	2009	2008
Vermont Educational and Health Buildings Financing Agency (VEHBFA) Series 1988A adjustable rate bonds, $40,000 original principal, interest (2009: 0.60% - 3.40%) (2008: 1.90% - 3.70%)) (uncollateralized) with annual principal payments increasing from $730 in 2009 to $3,140 through 2028	$ 32,550	$ 33,280
VEHBFA Series 1999 bonds $60,000 original principal, (uncollateralized) due on November 1, 2038 issued at a discount, interest at 5%	60,000	60,000
VEHBFA Series 2002A serial bonds $16,455 original principal, (uncollateralized) with annual principal payments increasing from $835 in 2009 to $1,440 in 2020, interest ranging from 4.00% - 5.25%	12,510	13,345
VEHBFA Series 2002A term bonds $54,805 original principal, (uncollateralized) $4,805 and $50,000 due on November 1, 2022 and November 1, 2032, respectively, interest ranging from 5.00% - 5.375%	54,805	54,805
VEHBFA Series 2002B adjustable rate bonds, $20,000 original principal, interest (2009: 1.75% -3.40%) (2008: 3.40% - 3.58%) (uncollateralized) due on November 1, 2032	20,000	20,000
VEHBFA Series 2006A bonds $35,425 original principal, (uncollateralized) 40 year bullet with principal due 2047, interest at 5%	35,425	35,425
VEHBFA Series 2008 adjustable rate bonds, $55,260 original principal, interest (2009: 0.10% -7.50%) (uncollateralized) with annual principal payments increasing from $1,780 in 2009 to $4,350 through 2027	53,480	55,260
Revenue bonds issued through the California Statewide Communities Development Agency, collateralized by the Monterey Institute campus with annual principal payments increasing from $-0- in 2009 to $2,160 in 2031, interest at 5.50%	21,525	21,525
First National Bank of Central California Loan, subordinate to the revenue bonds issued through the California Statewide Communities Development Agency, term loan paid in fiscal 2009, interest at 6.00%	-	1,352
Capitalized lease obligations, due in various amounts monthly through October 2009, interest at 8.57%	2	5
Other	1,103	1,209
	$ 291,400	$ 296,206
Less discount	(2,221)	(2,303)
Plus premium	1,185	1,216
	$ 290,364	$ 295,119

(in thousands)

The estimated fair value of the College's total debt is approximately $293,000 at June 30, 2009. The fair value is estimated based on quoted market prices for the same or similar issues.

The College loaned the Institute sufficient funds to cover the amount due to the First National Bank. Repayment to the College is not required until a) the California Revenue Bonds have been paid in full, b) the College executes an irrevocable written guarantee of the Revenue Bonds, or c) the Revenue Bonds receive a rating of “BBB” or better from the rating agencies.

On September 24, 2008, in anticipation of the pending California Revenue Bonds guarantee, the College loaned the Institute an additional $1,418 to be used to pay off the First National Bank loan. On October 14, 2008, Middlebury College unconditionally and irrevocably guaranteed the California Revenue Bonds. This action triggered the repayment clause from the Institute to the College. A total of $1,250 of the Middlebury College loan was paid down by the Institute on November 4, 2008. The remaining balance of $1,576 with interest at 7.75% is being paid off over 60 months with the first payment made in November 2008.

According to the terms of the California Revenue Bonds, the Institute is not required to make payments until July 1, 2031. As part of the affiliation agreement and subsequent guarantee by Middlebury College, Franklin Templeton agreed to maintain the interest rate on the California Revenue Bonds at 5.50% interest and removed liens on the real estate as well as other debt covenants and conditions. The optional redemption date was changed to July 1, 2018 (at 101 percent of the face amount of the bonds), July 1, 2019 (at 100.5 percent of the face amount of the bonds), and July 1, 2020 (at 100 percent of the face amount of the bonds).

2006 Debt Issuance and Interest Rate Swap
In November 2006, the College issued $92,000 of the Vermont Educational and Health Buildings Financing Agency (VEHBFA) Revenue Bonds (Middlebury College Project) Series 2006 in a tax-exempt bond backed financing. The new debt was issued in two series. The $35,425, 5.00% Series A bonds were used to fund the current acquisition, construction, renovation, and equipping of the College's existing facilities, including the renovation of the College's Starr Library to the Axinn Center, site development for the Axinn Center, construction of a new biomass gasification heating and power system and other various improvements. The $56,575 Series B bonds were used to refund the Series 1996 bonds in the amount of $56,520.

In connection with the Series B Bonds, the College has entered into an interest rate swap transaction with an affiliate of the Goldman Sachs Group L.P. (Goldman). Under the terms of the swaption agreement, the College will pay a fixed rate of 4.76% and receive a variable rate, ranging from 65% to 100% of the 1-month London Interbank Offer Rate (LIBOR), in each case with reference to the notional amount equal to the principal amount of the 1996 bonds. Payments under the swap commenced on November 2006 and will end in November 2026.

The College has the right to terminate the swap at any time, at its sole discretion, at the then current mid-market value of the swap. Goldman can only terminate when there has been an Event of Default by the College or if and when the College is rated lower than A3/A-. The termination at such time will be at the then current mid-market value of the swap as well.

(in thousands)

As of June 30, 2009 and 2008, the fair value of the swap was a liability of $10,257 and $7,808, respectively, which represents the amount the College, would have to pay to terminate the agreement at the end of the fiscal year. This liability has been recorded within accounts payable on the balance sheet and within the statement of activities line item, "unrealized loss on interest rate swap."

2008 Debt Issuance
On February 21, 2008, the College gave notice that it would be exercising its option to redeem, on March 25, 2008, the $54,875 of outstanding Series 2006B Bonds. These bonds were 7-day auction rate securities, guaranteed by Ambac Assurance Corporation, the principal operating subsidiary of Ambac Financial Corporation. The redemption was pursued due to the deterioration in the auction rate securities market during fiscal 2008, and the resulting higher variable interest rates the College was paying on the Series 2006B bonds.

On March 25, 2008, the College redeemed the Series 2006B bonds using funds drawn down from a short-term line of credit with TD Banknorth. Bond issue costs of $754 were expensed in fiscal 2008 as a result of this transaction.

On April 1, 2008 the College issued $55,260 of VEHBFA Revenue Bonds (Middlebury College Project) Series 2008 in a tax-exempt financing, the proceeds of which were used to pay off the line of credit and cover costs of issuance. The term of the issue is 18 years to approximate the amortization schedule of the refunded Series 2006B bonds, upon which the existing interest rate swap is based. These new bonds are weekly resetting variable rate bonds on which the interest is paid monthly.

Standby Bond Purchase Agreement
The College has a standby bond purchase agreement with a bank to provide liquidity support for the Series 2008 variable rate bonds. In the event some or all of the bonds were tendered and not remarketed, the facility provides for the purchase of the unremarketed bonds by the bank. Any funds provided by this liquidity facility would be payable to the bank by the College no later than April 1, 2012. There have been no bonds purchased by the bank under the Agreement as of June 30, 2009.

Credit Lines
As of June 30, 2009, the College had a $25,000 demand line of credit with an interest rate of one month LIBOR plus 2.50%, and a $50,000 3 year term line of credit with an interest rate of one month LIBOR plus 2.50%. As of June 30, 2008 the College had a $25,000 line of credit. At June 30, 2009 and 2008, there were no outstanding balances on these lines. The proceeds of the borrowings are to be used for short-term working capital needs, pre-funding capital projects prior to a bond issuance, or providing temporary liquidity for investment transactions.

(in thousands)

Debt Maturities

According to the terms of the VEHBFA bonds, the College is required to make sinking fund deposits to the bond trustee in amounts sufficient to satisfy future debt service obligations. Annual principal requirements under all long-term debt obligations are as follows:

2010	$	3,654
2011		3,828
2012		4,449
2013		4,280
2014		4,541
Thereafter		270,648
	$	291,400

Adjustable Rate Bonds

The VEHBFA Series 1988A adjustable rate bonds, the VEHBFA Series 2002B adjustable rate bonds, and the VEHBFA 2008 adjustable rate bonds provide for the bondholder to tender their bonds at the date the interest rate is adjusted during the period that such bonds bear a variable interest rate. To the extent that the College is unable to remarket the 1988A and 2002B bonds, the College would be obligated to purchase these bonds from the College's resources. With respect to the 2008 bonds, the bonds would be repurchased from the proceeds of the College's standby bond purchase agreement. The above long term debt maturities table reflects the payment of principal on these bonds according to their scheduled maturity dates. If the 1988A, 2002B, and 2008 bonds were fully tendered by the bondholders to the College as of June 30, 2009, the table of annual principal payments would become:

2010	$	53,539
2011		993
2012		54,929
2013		1,100
2014		1,156
Thereafter		179,683
	$	291,400

7. Retirement Plans

Retirement benefits for substantially all full-time employees of the College, excluding the Institute, are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA/CREF). Under this plan, the College makes contributions into employee accounts based upon options exercised by the employee. This plan is administered by TIAA/CREF. The College's retirement contributions related to this plan for the years ended June 30, 2009 and 2008 were approximately $9,234 and $8,761, respectively.

(in thousands)

Under a separate plan, the Institute participates in the Teachers Insurance Annuity Association and College Retirement Equity Fund (TIAA/CREF) and the variable annuity Life Insurance Company (VALIC) defined contribution multiemployer pension plans which cover substantially all full time employees of the Institute. The defined contribution plan requires that employees complete one year of service before being eligible for employer contributions. In addition, the employer contributions shall be determined at the discretion of the Institute. Total Institute contributions were $671 and $453 for the years ended June 30, 2009 and 2008, respectively.

8. Derivative Financial Investments

Foreign Currency Contracts

The College has entered into forward currency contracts to hedge the currency exposure associated with operating the College's study abroad language programs. A forward currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. The fair value of a forward currency contract fluctuates with changes in forward currency exchange rates. Forward currency contracts are marked to market and the change in value is recorded by the College as an unrealized gain or loss in other nonoperating activities. These contracts may involve market risk in excess of the unrealized gain or loss reflected in the statement of activities. In addition, the College could be exposed to risk if the counterparties are unable to meet the terms of the contracts or if there are movements in foreign currency values that are unfavorable to the College. The notional amount of the currencies the College has committed to buy at June 30, 2009 and 2008 is $307 and $724, respectively. The fair value of these contracts included in accounts receivable at June 30, 2009 and 2008 is $16.

9. Endowment

The College’s endowment consists of donor restricted endowment funds and board-designated funds to function as endowments for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

(in thousands)

The Board of Trustees of the College and Institute have interpreted Vermont's and California's Uniform Prudent Management of Institutional Funds Act ("UPMIFA") statutes as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by the UPMIFA statutes.

In accordance with the UPMIFA statutes, the College considers the following factors in making a determination to appropriate or accumulate endowment funds:

1) The duration and preservation of the fund
2) The purposes of the College and the donor restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the College
7) The investment policies of the College.

The College's endowment for the years ended June 30, 2009 and 2008, delineated by net asset class and donor-restricted versus Board-designated funds were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 268,066	$ 259,980	$ 528,046
Adjustment for funds underwater	(10,823)	10,823	-	
Board-designated endowment funds	253,714	-	-	253,714
Total endowment funds June 30, 2009	$ 242,891	$ 278,889	$ 259,980	$ 781,760
Donor-restricted endowment funds	$ 337,661	$ 56,704	$ 259,378	$ 653,743
Board-designated endowment funds	340,198	-	-	340,198
Total endowment funds June 30, 2008	$ 677,859	$ 56,704	$ 259,378	$ 993,941

(in thousands)

Changes in endowment
Net assets for the year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total net assets:				
Endowment net assets, beginning of year	$ 677,859	$ 56,704	$ 259,378	$ 993,941
Cumulative effect of adoption of Vermont and California UPMIFA statutes	(339,144)	339,144	-	-
Investment return:				
Endowment return	(30,275)	(109,523)	254	(139,544)
Other investment income operations	-	(5,337)	-	(5,337)
Change in value of deferred gifts	(592)	472	(4,538)	(4,658)
Total investment return	(30,867)	(114,388)	(4,284)	(149,539)
Contributions	3,532	195	5,579	9,306
Appropriation of endowment assets for spending (distribution)	(53,459)	(6,054)	-	(59,513)
Transfer (from) to designated endowment funds	(5,694)	(6,048)	(693)	(12,435)
Adjustment for funds underwater - fair value less than historic dollar value	(9,336)	9,336	-	-
Endowment net assets, end of year	$ 242,891	$ 278,889	$ 259,980	$ 781,760

Changes in endowment
Net assets for the year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total net assets:				
Endowment net assets, beginning of year	$ 758,010	$ 42,935	$ 252,368	$ 1,053,313
Investment return:				
Endowment return	(26,019)	(3,932)	430	(29,521)
Other investment income (losses)	321	(7,360)	-	(7,039)
Change in value of deferred gifts	592	1,514	(1,927)	179
Total investment return	(25,106)	(9,778)	(1,497)	(36,381)
Contributions	6,043	416	13,240	19,699
Appropriation of endowment assets for spending (distribution)	(49,881)	(1,892)	-	(51,773)
Transfer to other funds	(976)	667	-	(309)
Transfer (from) to designated endowment funds	(10,231)	24,356	(4,733)	9,392
Endowment net assets, end of year	$ 677,859	$ 56,704	$ 259,378	$ 993,941

(in thousands)

Permanently Restricted Net Assets
The portion of permanent endowment funds that is required to be retained permanently either by explicit donor stipulation or by Vermont and California UPMIFA statutes at June 30, 2009 and 2008:

	2009	2008
Restricted for loan funds	$ 3,143	$ 3,123
Restricted for annuity and life income funds	10,568	10,380
Restricted contribution receivable	19,225	26,432
Restricted for endowment funds	227,044	219,443
	$ 259,980	$ 259,378

Temporarily Restricted Net Assets

	2009	2008
Portion of permanent endowment funds subject to an appropriation restriction under Vermont and California UPMIFA statutes	$ 232,197	$ -
Restricted endowment gifts for special purposes	46,692	56,704
	$ 278,889	$ 56,704

Underwater Endowment Funds
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater endowments). When underwater endowments exist, any decrease in fair value below the fund's historic dollar value is recorded as a change and transfer from unrestricted net assets to temporarily restricted net assets. Cumulative transfers from unrestricted net assets to temporarily restricted net assets of the College and Institute were $10,823 and $1,487 as of June 30, 2009 and 2008, respectively. These resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

Return Objectives and Risk Parameters
The College has adopted endowment investment and spending policies that provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The College expects its endowment funds, over time, to generate an average rate of return sufficient to provide for its spending needs plus the rate of growth in expenses at the College, which reflects inflation pressures as well as real growth in the College's program.

(in thousands)

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The College targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The College's Board of Trustees approves a distribution of investment return based on the average asset value as determined at the end of the twelve prior calendar quarters. Calculations are performed for individual endowment funds at a rate of 5.0%. The corresponding calculated spending allocations are distributed monthly from the current net total or accumulated net total investment returns for individual endowment funds.

The Institute's Board of Trustees approves a distribution of investment return based on the average asset value as determined at the end of the four prior calendar quarters. Calculations are performed for individual endowment funds at a rate of 4.0%. The corresponding calculated spending allocations are distributed monthly from the current net total or accumulated net total investment returns for individual endowment funds

10. Temporarily Restricted Net Assets

	2009	2008
The portion of permanent endowment funds subject to an appropriation restriction under Vermont and California UPMIFA statutes and classified as temporarily restricted net assets:	$ 232,197	$ -
Restricted gifts for scholarship and prizes	24,400	29,604
Restricted gifts for professorships	1,144	1,945
Restricted gifts for special purposes	29,436	32,806
Restricted gifts for capital projects	2,672	3,975
Restricted Contribution receivable	25,415	27,688
Restricted annuity and life income gifts	12,003	11,603
	$ 327,267	$ 107,621

11. Commitments and Contingencies

The College has claims arising in the normal course of its operations. The College believes that the outcome of these claims will not have a material adverse effect on the financial position, activities, or cash flows of the College.

The Town of Middlebury ("Town") is in the planning stages of a bridge and road construction project known as the "Cross Street Bridge Project" ("Project"). The Project will involve the construction of a new highway bridge over Otter Creek. The College believes that a second bridge over Otter Creek will improve timely emergency response for students, faculty and staff. The total cost of the Project is estimated at $16,000 and the Town has voted to finance the construction of the Project with a $16,000 bond. The College has agreed to commit itself to assist the Town in the financing by paying the Town the sum of $600 per year commencing after the bridge has been fully constructed and is available for use by the public and continuing until thirty (30) years thereafter.

(in thousands)

During the year ended June 30, 2003, the Institute borrowed $1,100 from Grover Herman Foundation as approved by the donor. In consideration of this agreement, the Institute agreed to transfer $2,300, representing the original contribution and an additional amount into the endowment fund by fiscal year 2014. At June 30, 2009 and 2008, the amount due to the endowment fund was $1,814 and $2,014, respectively.

12. Related Party Transaction

During fiscal year 2007, the Institute received a contribution from a related party to be used for the purchase of real property. As part of this agreement, the Institute issued the related party a five-year note payable in the amount of $1,250 for improvements to be made to the property. This note has been issued on a nonrecourse basis and is secured by the aforementioned real property. The total amount outstanding on the note at June 30, 2009 and 2008 is $400.

13. Operating Expenses

Operating expenses by natural classification for the years ended June 30, 2009 and 2008 were as follows:

	2009	2008
Salaries and wages	$ 103,264	$ 98,247
Employee benefits	30,254	28,246
Food	3,988	4,057
Utilities	8,660	8,291
Contracted services	11,223	7,841
Supplies	4,325	4,963
Library books and periodicals	2,124	2,294
Interest	11,643	12,241
Depreciation	21,002	19,573
Amortization	63	62
Travel	5,039	5,908
Taxes and insurance	2,393	2,303
Other	17,784	18,660
	$ 221,762	$ 212,686

14. Leases

The Institute leases office space under a noncancelable operating lease that extends through December 31, 2011. Rental expense for the years ended June 30, 2009 and 2008 were $163 and $126, respectively. Future fiscal year minimum rental payments under this lease are as follows:

2010	$ 157
2011	164
2012	84
	$ 405

(in thousands)

15. Early Retirement Program

On February 2, 2009, the College announced a voluntary early retirement program to staff members who were: (1) active and benefits eligible employees and (2) employed at least ten consecutive years in a benefits-eligible employment status after the age of 45 with at least 10 years of service.

The purpose of this program was to give staff additional flexibility in planning their retirements while at the same time achieving necessary staff reductions through voluntary means to prevent or minimize the need for future involuntary terminations. The early retirement program provides incentives to encourage eligible employees to voluntarily end employment with the College.

The College accounts for the costs related to this early retirement program in accordance with FAS 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and Termination Benefits*. Accordingly, $4,130 in termination benefits have been accrued in the accompanying financial statements in relation to these activities. The $4,130 in termination benefits is comprised of (1) $866 in cash compensation payment to early retirees, (2) $784 for the accrued liability for future compensation payment to early retirees, and (3) $2,480 for the accrued liability for related post-retirement health benefits.

APPENDIX C

SUMMARY OF DOCUMENTS

Brief descriptions of the Bond Indenture and the Loan Agreement are included herein. Such descriptions do not purport to be comprehensive or definitive; all references to the Bond Indenture and the Loan Agreement are qualified in their entirety by reference to each such document.

The Bond Indenture

The Bond Indenture contains terms and conditions relating to the issuance and sale of Bonds under it, including various covenants and security provisions, certain of which are summarized below. This summary uses various terms defined in the Bond Indenture and such terms as used herein shall have the same meanings as so defined.

No Additional Bonds. No other bonds or other indebtedness of the Agency may be issued under and secured by the Bond Indenture at any time or for any purpose after the delivery of the Bonds, except as provided in the Bond Indenture concerning the replacement of mutilated, destroyed, lost or stolen Bonds. (Section 209.)

The Bond Fund.

1. Deposit to Accounts. The Bond Fund contains an Interest Account, a Principal Account and a Redemption Account. The moneys in the Bond Fund shall be held by the Bond Trustee in trust and shall be subject to a lien and charge in favor of the Owners of the Bonds issued and outstanding under the Bond Indenture and for the further security of such Owners until paid out or transferred as herein provided. Upon receipt, the Bond Trustee shall immediately deposit all amounts received as Note Payments for application to the payment of the principal of and interest on such Bonds, as required by the Loan Agreement, in the following order:

(A) into the Interest Account in the Bond Fund, on the Business Day next preceding each Interest Payment Date, that amount which shall be equal to the interest payable on the Bonds on such Interest Payment Date; and

(B) on the Business Day next preceding November 1, 2038, into the Principal Account in the Bond Fund, the amount which shall be equal to the principal payable on the Bonds on such November 1, 2038.

2. Application of Money in the Interest Account. On each Interest Payment Date, 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 Owner of Bonds, or, if requested by any Owner of at least $500,000 aggregate principal amount of Bonds, by wire transfer on the next day immediately following the applicable Interest Payment Date to any bank designated by such Owner, the amount required for paying interest on such Bonds when due and payable. (Section 503.)

3. Application of Money in the Principal Account. On November 1, 2038, the Bond Trustee shall withdraw from the Principal Account and remit to each Owner of Bonds, upon surrender of its Bonds at the Principal Office of the Trustee, by check or draft, or, if requested by any Owner of at least $500,000 aggregate principal amount of Bonds, by wire transfer on the next day immediately following the applicable maturity date to any bank designated by such Owner, the principal amount of the Bonds that is due and payable on such November 1. (Section 504.)

4. Application of Money in Redemption Account. Money held for the credit of the Redemption Account, whether Note prepayments or money deposited from any other source, shall be applied to the purchase or redemption of Bonds as follows:

(A) The Bond Trustee shall, at the written direction of the College, endeavor to purchase and cancel Bonds or portions thereof, whether or not such Bonds or portions thereof shall then be subject to redemption, at such price not to exceed the redemption price that would be payable on the next redemption date to the Owner of such Bonds if such Bonds or portions thereof should be called for redemption on such date from the money in the Redemption Account, 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 of Bonds from the Redemption Account, but no such purchase shall be made by the Bond Trustee from money in the Redemption Account within the period of forty-five (45) days immediately preceding any Interest Payment Date on which such Bonds are subject to redemption;

(B) Subject to the provisions of 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 Account as nearly as may be practicable. The Bond Trustee shall withdraw from the Interest Account the amount required for paying the interest and from the Redemption Account the redemption price of Bonds or portions thereof so called for redemption; and

(C) Money in the Redemption Account shall be applied by the Bond Trustee in each Bond Year to the purchase, or the redemption, of Bonds then Outstanding.

(D) Upon any such retirement of any Bonds by purchase or redemption, the Bond Trustee shall file with the College a statement identifying such Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the redemption price of such Bonds and the amount paid as interest thereon. The expenses in connection with the purchase or redemption of any such Bonds shall be paid by the College. (Section 505.)

Moneys Withdrawn from the Bond Fund. All moneys which the Bond Trustee shall have withdrawn from the Bond Fund or shall have received from any other source and set aside for the purpose of paying any of the Bonds, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective Owners of such Bonds. (Section 506.)

Non-Presentment of Bonds. Any moneys deposited with the Bond Trustee or then held by the Bond Trustee in trust for the payment of the principal of and redemption premium, if any, or interest on any Bond and remaining unclaimed for the applicable escheat period after such principal and redemption premium, if any, or interest has become due and payable shall be paid to the College free of any trust or lien. Thereafter, the Owners of such Bonds shall look only to the College for payment and then only to the extent of the amount so received without any interest thereon, and the Agency and the Bond Trustee shall have no responsibility with respect to such moneys. (Section 507.)

Security for Deposits; Investment of Money and Valuation of Investments. Any and all money deposited with the Bond Trustee under the provisions of the Bond Indenture shall be trust funds under the terms thereof and shall not be subject to any lien or attachment by any creditor of the Agency or the College. Such money shall be held in trust and applied in accordance with the provisions of the Bond Indenture.

All money deposited with the Bond Trustee in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the Agency and the Owners of Bonds, either (a) by lodging with a bank or trust company chosen by the Bond Trustee or custodian or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of 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 as such applicable law or regulation may require or allow, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other 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; provided, however, that it shall not be necessary for the Bond Trustee to give security for the deposit of any money with it for the payment of the principal of or the redemption premium or the interest on any Bonds, or for the Bond Trustee to give security for any money that shall be represented by obligations purchased as an investment of such money.

All money deposited with the Bond Trustee shall be credited to the particular fund or account to which such money belongs.

Money held for the credit of all funds and accounts shall be continuously invested and reinvested by the Bond Trustee at the direction of the College in Investment Obligations to the extent practicable. Any such Investment Obligations shall 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. The maturity date of repurchase agreements for Government Obligations or other obligations is the maturity date of such repurchase agreements and not the maturity date of the underlying Government Obligation or other obligation.

The College may at any time give to the Bond Trustee written directions respecting the investment of any money required to be invested under the Bond Indenture, and the Bond Trustee shall then invest such money as so directed, subject, however, to the provisions of the Bond Indenture. If the Bond Trustee receives no instructions from the College as to the investment of money, then the Bond Trustee shall invest money in Government Obligations.

Any interest earned or other income derived from the investment or deposit of moneys held for the credit of any Funds or Accounts shall be retained in such Funds and Accounts.

Investment Obligations credited to any fund or account established under the Bond Indenture shall 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. The Bond Trustee shall sell at the best price reasonably obtainable or reduce to cash a sufficient amount of such Investment Obligations whenever it shall be necessary so to do in order to provide moneys to make any payment or transfer of moneys from any such fund or account. The Bond Trustee shall not be liable or responsible for any loss resulting from any such investment.

For the purpose of determining the amount on deposit to the credit of any such fund or account, obligations therein shall be valued at the market value or the amortized cost thereof, whichever is lower.

The Bond Trustee shall value the Investment Obligations in the funds and accounts on the last business day prior to each November 1. In addition, the Investment Obligations shall be valued by the Bond Trustee at any time requested by the College Representative on reasonable notice to 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.

Notwithstanding the previous two paragraphs, the Bond Trustee shall be required to perform valuations of Investment Obligations only on the basis of and only to the extent of market value information available to it from readily available sources (and only to the extent of such information is so available), and in each case only to the extent that such information is then generally made available by it to its corporate trust customers (Sections 601, 602 and 603.)

<u>Defaults</u>. Each of the following events is an "Event of Default" under the Bond Indenture; that is to say, if

(A) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or

(B) Payment of the principal or of the redemption premium, if any, on any of the Bonds shall not be made when the same shall become due, whether at the maturity date or the redemption date prior to maturity, or upon maturity thereof by declaration; or

(C) An "Event of Default" shall exist under the Loan Agreement; or

(D) The Agency shall fail duly to perform, observe or comply with any covenant, condition or agreement contained in the Bonds or in the Bond Indenture on the part of the Agency to be performed (other than a failure described in paragraphs (A) through (C) above) and such failure continues for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Agency and to the College by the Bond Trustee or by the Owners of at least 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 Agency shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion. (Section 802.)

Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Bond Trustee may, and upon the written direction of the Owners of not less than 25% of the aggregate principal amounts of Bonds then Outstanding shall, take the following remedial steps (subject to Section 902 of the Bond Indenture):

(A) In the case of an Event of Default described in paragraph (A) or (B) under Defaults above, take whatever action at law or in equity is necessary or desirable to collect the Note Payments then due;

(B) In the case of an Event of Default described in paragraph (C) or (D) under Defaults above, take whatever action the Agency would be entitled to take pursuant to the Loan Agreement in order to remedy the Event of Default in question;

(C) In the case of an Event of Default described in paragraph (A) or (B) under Defaults above, declare the entire unpaid aggregate principal amount of the Bonds Outstanding to be immediately due and payable.

At any time after the principal of the Bonds shall have been so declared to be immediately due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, the Bond Trustee may annul such declaration and its consequences with respect to any Bonds or portions thereof not then due by their terms if (i) the College has paid or caused to be paid or deposited with the Bond Trustee moneys 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) on all Bonds Outstanding; (ii) the College has paid or caused to be paid or deposited with the Bond Trustee moneys sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee; (iii) all other amounts then payable by the College hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee; and (iv) every Event of Default (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon. (Section 803.)

Restrictions upon Actions by Individual Bondowner. No Owner of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Bond Indenture, for the execution of any trust thereof or to enforce any other right or remedy thereunder, unless an event of default under the Bond Indenture has occurred of which the Bond Trustee has been notified by the Agency or by the Owners of 25% in principal amount of the Bonds, and the Owners of 25% in principal amount of the Bonds shall have made written request to the Bond Trustee and shall have offered the Bond Trustee reasonable opportunity either to proceed to exercise the powers hereinbefore granted and such Bondowners have offered to the Bond Trustee indemnity as provided in Section 902, and the Bond Trustee shall thereafter fail or refuse to exercise the powers granted in the Bond Indenture. Such notification, request and offer of indemnity are at the option of the Bond Trustee conditions precedent to any suit, action or proceeding for the enforcement thereof; no one or more Owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Bond Indenture by its, his or their action or to enforce any right or remedy thereunder except in the manner therein provided, that all proceedings shall be in accordance with the Bond Indenture and shall not be otherwise than in accordance with law and the provisions of the Bond Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner and therein provided and for the equal benefit of the Owners of all Bonds.

Notwithstanding any other provisions in the Bond Indenture, the Owner of any Bond shall have the right, which is absolute and unconditional, to receive payment of the principal of and redemption premium, if any, and interest on such Bond on the respective due dates expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment at the time, place, from the source and in the manner expressed in such Bond, and such right shall not be impaired without the consent of such Bondowner. (Section 808.)

Notice of Default. The Bond Trustee shall mail to all Registered Owners at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default set forth above within thirty (30) days after the Bond Trustee shall have notice of the same that any such Event of Default shall have occurred; provided that, except upon the happening of an Event of Default specified in clause (A) under The Loan Agreement – Events of Default below and clauses (A) and (B) under Defaults above, the Bond Trustee may withhold such notice if in its opinion such withholding is in the interest of the Owners; and provided further that the Bond Trustee shall not be subject to any liability to any Owner by reason of its failure to mail any such notice. (Section 813.)

Right to Enforce Payment of Bonds Unimpaired. Nothing in the Bond Indenture shall affect or impair the right of any Holder to enforce the payment of the principal of and interest on his Bond or the obligation of the Agency to pay the principal of and interest on each Bond of the Holder thereof at the time and place in said Bond expressed. (Section 815.)

Supplements and Amendments to Bond Indenture.

1. Supplements and Amendments Not Requiring Bondowner Consent. The Agency and the Bond Trustee may, without the consent or approval of, or notice to, any of the Bondowners, enter into such supplements and amendments to the Bond Indenture as shall not, in the opinion of the Bond Trustee, materially and adversely affect the interests of the Bondowners (which supplements and amendments shall thereafter form a part of the Bond Indenture) for any of the following purposes:

(A) to cure any ambiguity or formal defect or omission in the Bond Indenture or in any supplement or amendment to the Bond Indenture, or

(B) to grant to or confer upon the Bond Trustee for the benefit of the Bondowners any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondowners or the Bond Trustee, or

(C) to subject to the lien and pledge of the Bond Indenture additional payments, revenues, properties or collateral, or

(D) to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder, or

(E) to evidence the appointment of a separate Bond Trustee or Co-Bond Trustee or the succession of a new Bond Trustee, or

(F) to modify, amend or supplement the Bond Indenture or any supplement or amendment hereto in such manner as to permit the qualification of the Bond Indenture under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States, or

(G) to provide for the issuance of Bonds under a book-entry system or in bearer form. (Section 1101.)

2. Supplements and Amendments Requiring Consent of Owners of 51 Percent in Principal Amount of Bonds. With the consent of the Owners of not less than 51 percent in aggregate principal amount of the Bonds at the time Outstanding, the Agency and the Bond Trustee may, from time to time and at any time, enter into supplements and amendments to the Bond Indenture which the College deems necessary and desirable for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Bond Indenture or of any supplement or amendment to the Bond Indenture or of modifying in any manner the rights of the Owners of the Bonds; provided, however, that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium, if any, or the rate of interest thereon, or (c) granting a preference or priority of any Bond or Bonds over any other Bond or Bonds with respect to their respective claims on the security provided by the granting clause of the Bond Indenture, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture. The approval by Bondowners, however, of the execution of any supplement or amendment to the Bond Indenture as authorized in Section 1101 is not required.

It shall not be necessary for the consent of the owners of Bonds under Section 1102 to approve the particular form of any proposed supplement or amendment, but it shall be sufficient if such consent shall approve the substance thereof.

If at any time the Agency shall request the Bond Trustee to enter into any supplement or amendment to the Bond Indenture for any of the purposes of Section 1102, the Bond Trustee shall, at the expense of the Agency, cause notice of the proposed execution of such supplement or amendment to be mailed, postage prepaid, to all Registered Owners. Such notice shall briefly set forth the nature of the proposed supplement or amendment and shall state that copies thereof are on file at the designated corporate trust office of the Bond Trustee for inspection by all Bondowners. The Bond Trustee shall not, however, be subject to any liability to any Bondowner by reason of its failure to mail the notice required by Section 1102, and any such failure shall not affect the validity of such supplement or amendment when consented to as provided in Section 1102.

Whenever, at any time within three years after the date of the first publication of such notice, the Agency or the College shall deliver to the Bond Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than 51 percent in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplement or amendment described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Bond Trustee may execute such supplement or amendment in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

If the Owners of not less than 51 percent in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental indenture shall have consented to and approved the execution thereof, no Owner of any Bond shall have any right to object to the execution of such supplement or amendment, 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 Bond Trustee or the Agency from executing the same or from taking any action pursuant to the provisions thereof. (Section 1102.)

Supplements and Amendments to the Loan Agreement.

1. Supplements and Amendments Not Requiring Consent. The Agency and the Bond Trustee may, from time to time and at any time, consent to such amendments and supplements to the Loan Agreement as shall not be inconsistent with the terms and provisions thereof and, in the opinion of the Bond Trustee (as to which it may rely on an Opinion of Counsel), shall not materially and adversely affect the interests of the Bondowners (which supplements and amendments shall thereafter form a part thereof),

(A) as may be required by the Loan Agreement or the Bond Indenture, or

(B) to cure any ambiguity or formal defect or omission in the Loan Agreement or in any supplement or amendment thereto, or

(C) to grant to or confer upon the Bond Trustee, for the benefit of the Bondowners, any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondowners or the Bond Trustee, or

(D) to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising thereunder and which shall not materially and adversely affect the interests of the Bondowners, which, in the judgment of the Bond Trustee, will not prejudice the interests of the Bond Trustee, or

(E) to provide for the issuance of the Bonds in book entry or bearer form. (Section 1201.)

2. Supplements and Amendments Requiring Consent of Owners of 51 Percent in Principal Amount of Bonds. Except for supplements or amendments described above, the Agency shall not execute and the Bond Trustee shall not consent to any supplement or amendment to the Loan Agreement unless notice of the proposed execution of such supplement or amendment shall have been given and the Owners of not less than 51 percent in aggregate principal amount of the Bonds then Outstanding shall have consented to and approved the execution thereof, all as provided for in Bond Indenture in the case of supplements and amendments to the Bond Indenture.

The Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon an opinion of any counsel approved by it as conclusive evidence that any such proposed supplement or amendment does or does not comply with the provisions of the Bond Indenture (including without limitation as to whether the proposed supplement or amendment materially and adversely affects Bondholders), that any conditions precedent contained in the Bond Indenture or the Loan Agreement applicable to the execution and delivery thereof have been satisfied, and that it is (or is not) proper for the Bond Trustee, under the provisions of Article XII of the Bond Indenture to join in the execution thereof. (Section 1202.)

Defeasance. When (a) the Bonds secured under the Bond Indenture shall have become due and payable in accordance with their terms or otherwise as provided in the Bond Indenture, including Article XIII, and the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds shall be paid or (b) if the Bond Trustee shall hold sufficient money or Defeasance Obligations the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, or combination of such payment and redemption, and (c) if Bonds are to be called for redemption, irrevocable instructions to call the Bonds for redemption shall have been given by the Agency to the Bond Trustee, and (d) sufficient funds shall also have been provided or provision made for paying all other obligations payable by the Agency, then and in that case the right, title and interest of the Bond Trustee in the Note and in the funds and accounts mentioned in the Bond Indenture shall thereupon cease, determine and become void and, on demand of the Agency and upon being furnished with an opinion, in form and substance satisfactory to the Bond Trustee, of counsel approved by the Bond Trustee, to the effect that all conditions precedent to the release of the Bond Indenture have been satisfied, and the Bond Trustee shall release the Bond Indenture (subject to any terms of the Bond Indenture that survive in accordance with their terms) and shall execute such documents to evidence such release as may be reasonably required by the Agency and shall turn over to the College, any surplus in any, and all balances remaining in, all funds and accounts, other than money held for the redemption or payment of Bonds. Otherwise, the Bond Indenture shall be, continue and remain in full force and effect; provided, that, in the event Defeasance Obligations shall be deposited with and held by the Bond Trustee as hereinabove provided, (i) in addition to the requirements set forth in the Bond Indenture for the giving of any notice of redemption, the Bond Trustee, within thirty (30) days after such Defeasance Obligations shall have been deposited with it, shall cause a notice signed by the Bond Trustee to be mailed by first class mail, postage prepaid, to all Bondowners setting forth (a) the date or dates, if any, designated for the redemption of the Bonds, (b) a description of the Defeasance Obligations so held by it, and (c) that the Bond Indenture has been released in accordance with the provisions of the Section, and (ii) the Bond Trustee shall nevertheless retain such rights, powers and privileges under the Bond Indenture as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium for which such Defeasance Obligations have been deposited, and as may be necessary and convenient for the registration, transfer and exchange of Bonds.

All money and Defeasance Obligations held by the Bond Trustee shall be held in trust and applied to the payment, when due, of the obligations payable therewith. (Section 1301.)

The Loan Agreement

The Loan Agreement contains terms and conditions relating to the loan by the Agency to the College of the proceeds of the sale of Bonds including various covenants and security provisions, certain of which are summarized below. This summary uses various terms defined in the Loan Agreement and such terms as used herein shall have the same meanings as so defined.

<u>Representations by the College</u>. The College represents and warrants as follows:

(A) It is a duly organized and existing private nonprofit college under the laws of the State and is an "eligible institution" within the meaning of such term as used in the Act.

(B) It has the corporate power to enter into the Loan Agreement and to execute and deliver the Note and perform its obligations and agreements thereunder.

(C) It has duly authorized the execution, delivery and performance of the Loan Agreement and the Note.

(D) It is an organization described in Section 501(c)(3) of the Code, and as such is exempt from Federal income taxes under Section 501(a) of such Code.

(E) The representations, warranties, certifications and other information supplied by the College that has been relied upon by Bond Counsel with respect to the eligibility of the Project and the exclusion of interest on the Bonds from gross income for federal income tax purposes, are true and correct. (Section 2.02).

<u>Issuance of the Bonds to Fund Loan; Loan by the Agency; Repayment</u>. To provide funds to refund the Refunded Bonds, the Agency agrees that it will sell, issue and deliver the Bonds to

the purchaser or purchasers thereof. The Bonds shall be issued in accordance with the Bond Indenture.

Upon the terms and conditions of the Loan Agreement, the Agency shall lend to the College the proceeds of the sale of the Bonds. The proceeds of the Loan shall be deposited with the Bond Trustee and applied in accordance with the Bond Indenture.

The College agrees that its obligation to repay the Loan is absolute and unconditional and is payable from moneys of the College lawfully available therefor. As consideration for the issuance of the Bonds and the making of the Loan to the College by the Agency, the College agrees to deliver the Note to the Agency for assignment to the Bond Trustee under the Bond Indenture.

The Note will provide for the making of Note Payments on the dates, in the amounts and in the manner provided in the Bond Indenture so that moneys will be available to the Bond Trustee, for the account of the Agency, to pay the principal (by reason of maturity, scheduled amortization, acceleration or redemption), premium, if any, and interest on the Bonds.

Any amount credited under the Bond Indenture against any payment required to be made by the Agency thereunder shall be credited against the corresponding payment required to be made by the College under the Note or Loan. The College agrees to make Note Payments at such times and in such amounts to assure that payment of the principal of (by reason of scheduled amortization, acceleration or redemption) and premium, if any, and interest on the related Bonds shall be made when due. (Section 4.01).

Special Covenants

1. Covenant to Maintain Campus. The College will, at its sole cost and expense, maintain, preserve and keep the Campus with the appurtenances and every major part and parcel thereof, in good repair, working order and condition, ordinary wear and tear excepted, and will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals; provided, however, that the College shall not be obligated to maintain, preserve, repair, replace or renew any element or unit of the Campus the maintenance, repair, replacement or renewal of which becomes uneconomic to the College because of damage or destruction or obsolescence, or change in economic or business conditions, or change in government standards and regulation, or the termination by the College of the operation of the facilities to which the element or unit of the Campus is an adjunct. The College covenants that it will not permit, commit or suffer any waste of the whole or any major part of the Campus and shall not use or permit the use of the Campus, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. The College further covenants that it will not dispose of any substantial portion of its assets other than in the ordinary course of business without the consent of the Agency, which consent shall not be unreasonably withheld. (Section 4.04).

2. Arbitrage. The Agency and the College shall take no action, and shall not approve any action of or the making of any investment or use of the proceeds of the Bonds by the Bond Trustee, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code or that would otherwise cause the interest on the Bonds to be

includable in the gross income of any holder thereof for Federal income tax purposes pursuant to the Code and the regulations thereunder as such may be applicable to the Bonds at the time of such action, investment or use. (Section 5.04).

3. Covenant to Maintain Corporate Existence and Tax Status. The College covenants that so long as the Bonds are outstanding it will not dispose of all or substantially all its assets and will not acquire, consolidate with or merge into another corporation; provided, however, that the College may acquire, consolidate with or merge into another corporation, or transfer to another corporation all or substantially all its assets, if the successor or transferee corporation is an "eligible institution" within the meaning of the Act and irrevocably and unconditionally assumes in writing all the obligations of the College under the Note and the Loan Agreement.

The College covenants and agrees (i) that it will use diligence so that it will not perform any acts nor enter into any agreements or omit to perform any act or fulfill any requirement that shall have the effect of prejudicing the College's tax exempt status under Section 501(c)(3) of the Code and (ii) that it will maintain, extend and renew its corporate existence under the laws of the State and all franchises, rights and privileges to it granted and upon it conferred, and will not do, suffer or permit any act or thing to be done whereby its right to transact its functions might or could be terminated or its operations and activities restricted or whereby the payment under the Loan Agreement might or could be hindered, delayed or otherwise impeded. The College further covenants that it will use due diligence so that it will maintain its tax exempt status under Federal income tax laws and regulations, and none of its gross revenues, income or profits, either realized or unrealized, and none of its other assets or property will be distributed to any of its employees, or inure to the benefit of any private person, association or corporation, other than for the lawful corporate purpose of the College; provided, however, that this is not intended to prevent the College's paying the cost of services or property, real or personal, provided to the College by any person, association or corporation. (Section 5.06).

4. Secondary Market Disclosure. The College covenants for the benefit of the persons who from time to time are the owners of the Bonds for federal income tax purposes (the "beneficial owners"):

(A) to file within 180 days after the end of each of its fiscal years, beginning after its 2009 fiscal year, with the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format prescribed by the MSRB, core financial information for the prior fiscal year, including (i) the College's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data concerning the College of the type generally found under the captions "Faculty and Staff", "Student Enrollment", "Tuition and Fees", "Financial Aid" and "Gifts, Grants and Bequests" in Appendix A to this Official Statement and, so long as the College has not terminated its affiliation with the Monterey Institute of International Studies, the table under the caption "Monterey Institute of International Studies" in Appendix A to this Official Statement; and

(B) to file in a timely manner, with the MSRB in an electronic format prescribed by the MSRB, notice of any failure of the College to comply with clause (A) above and notice of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) modifications to rights of security holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities; and

(xi) rating changes.

No beneficial owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of any covenant above (the "Disclosure Covenant") or for any remedy for breach thereof, unless such owner shall have filed with the College written notice of and request to cure such breach, and the College 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 mentioned in clauses (A) or (B) 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 College, 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 College 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 delivery of the Bonds, ceases to be in effect for any reason, and the College 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 described in the third preceding paragraph.

Events of Default. The terms "Event of Default" and "Default" under the Loan Agreement shall mean any one or more of the following events:

(A) The College shall fail to make any Note Payment.

(B) An Event of Default shall exist under the Bond Indenture.

(C) The College shall fail duly 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 Note Payment required under the Loan Agreement), and such failure continues for a period of 30 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the College and the Agency by the Bond Trustee, or to the College and the Agency and the Bond Trustee by the Owners of at least 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 College shall commence such performance, observation or compliance within such period and shall diligently and continuously prosecute the same to completion.

(D) Under any present or future bankruptcy law, the College shall apply for or consent to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of itself or of any part of its property, or shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors, or shall institute proceedings to be adjudged a bankrupt or insolvent, or shall seek reorganization in a proceeding under any present or future bankruptcy law or shall admit the material allegations of a petition filed against the College in any such proceeding, or shall seek relief under the provisions of any other present or future bankruptcy, insolvency or other similar law providing for the reorganization or winding up of corporations, or the College or its directors shall take action looking to the dissolution or liquidation of the College or an arrangement, composition, extension or adjustment with its creditors generally (except in connection with a consolidation or a merger of the College with or into another corporation or sale, transfer or other disposition of all or substantially all the assets of the College not prohibited by the Loan Agreement with respect to the College).

(E) The entry of a decree or order by a court having jurisdiction in the premises adjudging the College a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the College under the Federal Bankruptcy Code or any other applicable law, or under any present or future bankruptcy law appointing a receiver, liquidator, custodian, assignee, trustee, sequestrator (or other similar official) of the College or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of such decree or order unstayed and in effect for a period of 60 consecutive days.

(F) If the College shall default in the payment of the principal of or interest on any other obligation of the College for borrowed money in an amount in excess of $1,000,000 as and when the same shall become due and payable by lapse of time, by declaration, by call for redemption or otherwise and such default shall continue beyond the period of grace, if any, allowed with respect thereto; provided, however, that such default shall not constitute an Event of Default if within 30 days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the indebtedness is commenced, (i) the College in good faith commences proceedings to contest the existence or payment of such indebtedness, and (ii) sufficient moneys are escrowed with a bank or trust company for the payment of such indebtedness.

(G) If the College shall default under any indenture, agreement or other similar instrument under which any evidence of indebtedness of the College in an amount in excess of $1,000,000 may be issued and such default results in the formal acceleration of the maturity of any indebtedness of the College outstanding thereunder; provided, however, that such default shall not constitute an Event of Default if within 30 days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the indebtedness is commenced, (i) the College in good faith commences proceedings to contest the existence or payment of such indebtedness, and (ii) sufficient moneys are escrowed with a bank or trust company for the payment of such indebtedness. (Section 7.01).

Remedies on Default. Whenever any Event of Default referred to above shall have happened and be subsisting, the Agency may take the following remedial steps:

(A) In the case of an Event of Default described in clause (A), the Agency may take whatever action at law or in equity necessary or desirable to collect the Note Payments then due, including declaring the payment obligation evidenced by the Note to be immediately due and payable;

(B) In the case of any other Event of Default, the Agency may take whatever action at law or in equity necessary or desirable to enforce the performance, observance or compliance by the College with any covenant, condition or agreement by the College under the Loan Agreement; or

(C) In the case of an Event of Default other than in clause (A) which results in the Bonds being declared immediately due and payable, the Agency shall declare the payment obligation evidenced by the Note to be immediately due and payable.

In the enforcement of the remedies provided in the Loan Agreement, the Agency may treat all expenses of enforcement, including, without limitation, legal, accounting and advertising fees and expenses, as additional amounts payable by the College then due and owing. (Section 7.02).

Amendments, Changes and Modifications. Subsequent to the issuance of the Bonds and prior to Payment of the Bonds, the Loan Agreement and the Bond Indenture may not be effectively amended, changed, modified, altered or terminated except in accordance with the Bond Indenture. (Section 9.11).

SIDLEY AUSTIN LLP
SIDLEY

SIDLEY AUSTIN LLP
787 SEVENTH AVENUE
NEW YORK, NY 10019
(212) 839 5300
(212) 839 5599 FAX

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FOUNDED 1866

January __, 2010

Vermont Educational and Health
Buildings Financing Agency
Winooski, Vermont

Ladies and Gentlemen:

We have examined Title 16, Chapter 131, Sections 3851-3862, Vermont Statutes Annotated, as amended (the "Act"), and certified copies of the proceedings of the Board of Vermont Educational and Health Buildings Financing Agency (the "Board"), 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"):

$59,445,000

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY REVENUE REFUNDING BONDS (MIDDLEBURY COLLEGE PROJECT) SERIES 2009

Dated, maturing and bearing interest all as provided in the Bond Indenture

The Bonds are issued under and pursuant to the Act and a Bond Indenture dated as of November 1, 2009 (the "Bond Indenture"), between the Agency and The Bank of New York Trust Company N.A., Boston, Massachusetts, as trustee (the "Trustee"). The Bonds bear interest from their date and are subject to tender and redemption prior to their maturity in the manner and upon the terms and conditions set forth therein. The Bonds are issuable in fully registered form in denominations of $5,000 and integral multiples thereof.

The Agency will lend the proceeds of the Bonds to The President and Fellows of Middlebury College (the "College") under the Loan Agreement, dated as of November 1, 2009 (the "Loan Agreement"), between the Agency and the College. The Bonds are payable from payments to be made by the College on its note (the "Note") issued by the College under the Loan Agreement and delivered to the Agency in consideration of the College's obligation to repay the loan of the proceeds of the Bonds and to perform its obligations under the Loan

Agreement, and assigned by the Agency to the Trustee as security for the payment of the Bonds. The Note is an absolute and unconditional obligation of the College, secured by the general credit of the College and payable from any available moneys of the College.

We have also examined one of the Bonds as executed and authenticated.

Based upon such examinations, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued.

2. The Bond Indenture 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 College pursuant to the Note, funds held by the Trustee under the Bond Indenture and money attributable to the proceeds of the Bonds and the income from the investment thereof.

4. The Loan Agreement has been duly authorized and executed by the Agency and the College and is a valid, binding and enforceable agreement in accordance with its terms.

5. 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.

6. Assuming compliance by the College and the Agency with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds is not includible in gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Bonds will not be treated as a specific preference item in calculating the alternative minimum tax on individuals and corporations imposed by the Code; provided, however, such interest will be included in the computation of the alternative minimum tax on corporations imposed by the Code. Failure by the Agency or the College to comply with their respective covenants to comply with the provisions of the Code regarding use, expenditure, and investment proceeds of the Bonds and, if required, the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Bonds to be includible 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 College. 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 the taking of any action in reliance upon the opinion of counsel other than this firm. In rendering the opinion set forth in the first and second sentences of this paragraph, we have relied upon the representations made by the College with respect to certain material facts within its knowledge which we have not independently verified and the opinion of Dinse, Knapp &

McAndrew, P.C., Burlington, Vermont, counsel for the College, that the College is an organization described in Section 501(c)(3) of the Code or corresponding provisions of prior law and such counsel is not aware of any actions taken by the College which would jeopardize such status. 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 Bond Indenture 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 Bond Indenture 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, without independent investigation, upon the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the College, with respect to the due organization and valid existence of the College, its power and authority with respect to the transactions contemplated by, and its due authorization, execution and delivery of, the Note and the Loan Agreement.

Respectfully submitted,

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MIDDLEBURY

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