

In the opinion of Bond Counsel, under existing law and assuming compliance by the Agency and the University with their respective tax covenants described herein, interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation. 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 such 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 "TAX EXEMPTION" herein.



\$78,200,000
VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY VARIABLE RATE REVENUE BONDS
(NORWICH UNIVERSITY PROJECT), SERIES 2008

Dated: Date of Delivery**Price: 100%****CUSIP: 924166CK5****Due: September 1, 2038**

The Vermont Educational and Health Buildings Financing Agency Variable Rate Revenue Bonds (Norwich University Project), Series 2008 (the "Bonds") will be issued pursuant to a Trust Agreement dated as of June 1, 2008 (the "Trust Agreement") between the Vermont Educational and Health Buildings Financing Agency (the "Agency") and Chittenden Trust Company, as trustee (the "Trustee"). The Bonds will initially bear interest at a Weekly Interest Rate, as more fully described herein. The Bonds will continue to bear interest at a Weekly Interest Rate unless the Bonds are converted to a different Interest Rate Period, all as described herein. The Bonds are issuable as fully registered bonds and shall initially be in the denomination of \$100,000 and integral multiples of \$5,000 in excess thereof for so long as the Bonds bear interest at the Weekly Interest Rate. The Bonds may be converted to bear interest for a Daily Interest Rate Period, an ARS Rate Period, a Long-Term Interest Rate Period, or a Short-Term Interest Rate Period. **This Official Statement in general describes the terms of the Bonds only while the Bonds bear interest at a Weekly Interest Rate and does not describe all factors relevant to the Bonds upon conversion of the Bonds to other interest rate modes as provided in the Trust Agreement. If Bonds are converted from a Weekly Interest Period to a different Interest Rate Period, a supplement to this Official Statement or a new official statement or remarketing circular describing the new Interest Rate Period will be prepared.**

When issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry only form. Purchasers of beneficial interests in the Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds. Interest on the Bonds, together with the principal of and redemption premium, if any, and Purchase Price of the Bonds, will be paid directly to DTC, so long as the Bonds are held in book-entry only form. The final disbursements of such payments to the Beneficial Owners of the Bonds will be the responsibility of DTC, the DTC Participants and the Indirect Participants, all as defined and more fully described herein. See "THE BONDS - Book-Entry Only System." So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the holders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

The Bonds will be subject to redemption prior to maturity, including optional redemption and extraordinary redemption as described herein. See "THE BONDS - Redemption" herein. The Bonds will be subject to tender for purchase prior to maturity under the circumstances described herein. See "THE BONDS - Tender and Purchase of Bonds" herein.

Payments of the principal of and interest on the Bonds of up to 40 days (computed at a maximum rate of 12% per annum on the basis of a 365 day year), including any payments to be made with respect to an optional or mandatory redemption of the Bonds and payments of the purchase price of Bonds tendered or deemed tendered for purchase and not remarketed, are to be secured by and payable from amounts drawn by the Trustee under an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued by RBS Citizens, National Association (the "Bank").



The Letter of Credit is stated to expire on June 10, 2011, unless earlier terminated or extended, and may be replaced, as described herein. So long as the Letter of Credit is in effect, the Weekly Interest Rate may not exceed 12% per annum.

The Bonds are one of a duly authorized series of revenue bonds of the Vermont Educational and Health Buildings Financing Agency issued under the Trust Agreement. The Bonds are being issued for the purpose of providing funds to (i) pay, or reimburse Norwich University (the "University") for paying, a portion of the costs of acquiring, constructing, renovating, equipping and furnishing of (a) an approximately 280 bed dormitory of approximately 72,150 square feet, including associated costs such as professional fees, permits, fixtures, and site work, (b) related infrastructure (water, sewer, electricity, roads, walks, surface parking) required at the site, (c) a boiler room and on-site emergency generator in such dormitory, (d) an upgraded approximately 10,400 square foot basement of the Engineering, Math and Science Complex, and (e) renovations to certain academic facilities as needed to move equipment to the upgraded Engineering, Math and Science Complex (collectively, the "Project"); (ii) currently refund the Agency's Revenue Bonds (Norwich University Project), Series 2006; and (iii) pay certain expenses incurred in connection with the issuance of the Bonds.

The Agency will enter into a Loan Agreement dated as of June 1, 2008 (the "Loan Agreement") with the University, under which the Agency will agree to lend to the University the proceeds of the Bonds and, in consideration of the loan, the University will agree to make payments to the Trustee (the "Loan Repayments") in such amounts and at such time as are required to provide for timely payment of the principal or purchase price of, premium, if any, and interest on the Bonds.

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

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND ARE PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY OR ON BEHALF OF THE UNIVERSITY IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN AGREEMENT AND THE TRUST AGREEMENT 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.

This cover page and the inside cover page contain information for quick reference only. Investors must read the entire Official Statement, including all Appendices, to obtain information essential to making an informed investment decision. There are certain risks associated with the purchase of Bonds. See "RISK FACTORS" herein.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel to the Agency. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, LLP, Boston, Massachusetts, for the Agency by its counsel, Deppman & Foley, P.C., Middlebury, Vermont, for the University by its counsel, Dinse, Knapp & McAndrew, P.C., Burlington, Vermont and for the Bank by its counsel, Hinckley, Allen & Snyder LLP, Concord, New Hampshire. It is expected that the Bonds will be available for delivery to DTC or its custodial agent in New York, New York on or about June 11, 2008.

Merrill Lynch & Co.

Dated: June 6, 2008

Merrill Lynch, Pierce, Fenner & Smith Incorporated (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 responsibilities 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.

No dealer, broker, salesman or other person has been authorized by the Agency, the University or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained from the University and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed to be the representation of the Agency or the Underwriter. 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein relative to DTC and the Bank has been supplied to the Agency by DTC and the Bank, for inclusion herein. Such information has not been independently verified by the Agency and the Agency makes no representation as to the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

Upon issuance, the Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Trust Agreement or the Resolution been qualified under the Trust Indenture Act of 1939, as amended. In reliance upon exemptions contained in such acts, the registration or qualification of the Bonds in accordance with applicable provisions of securities laws of the states in which the Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

In making an investment decision, investors must rely on their own examination of the University and the terms of the offering, including the merits and risks involved. The order and placement of materials in this Official Statement including the Appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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.

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OFFICIAL STATEMENT

Relating To

\$78,200,000

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY VARIABLE RATE REVENUE BONDS (NORWICH UNIVERSITY PROJECT), SERIES 2008

INTRODUCTION

Purpose of this Official Statement

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the issuance and sale of the Variable Rate Revenue Bonds (Norwich University Project), Series 2008 in the aggregate principal amount of \$78,200,000 (the "Bonds") of the Vermont Educational and Health Buildings Financing Agency (the "Agency"), a public instrumentality of the State of Vermont (the "State"). The Bonds are authorized to be issued pursuant to Title 16, Chapter 131, Sections 3851-3862 of the Vermont Statutes Annotated, as amended (the "Act"). The Bonds will be issued under a Trust Agreement dated as of June 1, 2008 (the "Trust Agreement") between the Agency and Chittenden Trust Company, Burlington, Vermont, as trustee (the "Trustee"), and a resolution of the Agency adopted on February 12, 2008 (the "Resolution"). The Trustee is also the Bond Registrar. Capitalized terms used in this Official Statement have the meanings specified herein and in Appendix D hereto. Terms not otherwise defined in this Official Statement have the meanings provided in the specific documents.

The Bonds will initially bear interest at the Weekly Interest Rate as further described herein. The Trust Agreement provides for conversion of the Bonds to various other Interest Rate Periods. If converted to another Interest Rate Period, on the conversion date the Bonds will be purchased from the existing Bondholders pursuant to the mandatory tender provisions of the Trust Agreement. This Official Statement provides information with respect to the Bonds only in a Weekly Interest Period, but does not provide information with respect to any other permitted Interest Rate Period. If a conversion occurs as to the Bonds, a new official statement or other descriptive offering materials will be prepared with respect to such Bonds to provide information about the new Interest Rate Period and other pertinent information for purchasers of the Bonds in the new Interest Rate Period.

Plan of Financing

The Bonds are being issued for the purpose of providing funds to (i) pay, or reimburse Norwich University in Northfield, Vermont (the "University") for paying, a portion of the costs of acquiring, constructing, renovating, equipping and furnishing of (a) an approximately 280 bed dormitory of approximately 72,150 square feet, including associated costs such as professional fees, permits, fixtures, and site work, (b) related infrastructure (water, sewer, electricity, roads, walks, surface parking) required at the site, (c) a boiler room and on-site emergency generator in such dormitory (d) an upgraded approximately 10,400 square foot basement of the Engineering, Math and Science Complex, and (e) renovations to certain academic facilities as needed to move equipment to the upgraded Engineering, Math and Science Complex (collectively, the "Project"); (ii) currently refund the Agency's Revenue Bonds (Norwich University Project) Series 2006 ("2006 Bonds"), currently outstanding in the principal amount of \$50,750,000; and (iii) pay certain expenses incurred in connection with the issuance of the Bonds.

The Agency will enter into a Loan Agreement dated as of June 1, 2008 (the "Loan Agreement") with the University, under which the Agency will agree to lend to the University the proceeds of the Bonds and, in consideration of such loan (the "Loan"), the University will agree to make payments to the Trustee (the "Loan Repayments") in such amounts and at such times as are required to provide for timely payment of the principal or purchase price of, premium, if any, and interest on the Bonds.

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

Repayments (subject to the reservation of certain rights of the Agency, including its rights to notices, payment of certain expenses and indemnity), and will assign all of its rights, title and interest in and to any and all moneys and securities in the Bond Fund established under the Trust Agreement and, until applied in payment of any item of cost of the Project, in the Construction Fund.

Security for the Bonds

The University's obligation to make payments under the Loan Agreement is a direct, general and unconditional obligation of the University.

On the date of issuance of the Bonds, RBS Citizens, National Association (the "Bank") will issue its irrevocable, direct pay Letter of Credit (the "Letter of Credit") to the Trustee in an amount equal to the principal amount of, and up to 40 days' interest (computed at a maximum rate of twelve percent (12%) per annum on the basis of a 365 day year) on, the Bonds pursuant to a Letter of Credit Reimbursement Agreement dated as of June 1, 2008 between the University and the Bank (the "Reimbursement Agreement"). The form of the Letter of Credit is attached hereto as APPENDIX F. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - The Letter of Credit", "APPENDIX A - Certain Information Concerning the Bank", and "APPENDIX G - Summary of Certain Provisions of the Reimbursement Agreement" herein. The Letter of Credit may be replaced by an Alternate Credit Facility, a Liquidity Facility or a Self-Liquidity Arrangement in accordance with the terms of the Trust Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE BONDS - Alternate Credit Facility; Alternate Liquidity Facility" herein.

IN MAKING AN INVESTMENT DECISION, INVESTORS SHOULD RELY SOLELY ON THE BANK AND THE LETTER OF CREDIT AND SHOULD NOT RELY ON THE CREDIT OR ASSETS OF THE UNIVERSITY. POTENTIAL INVESTORS SHOULD BASE THEIR INVESTMENT DECISIONS WITH RESPECT TO THE BONDS SOLELY UPON THE CREDIT OF THE BANK. THIS OFFICIAL STATEMENT SHOULD NOT BE RELIED UPON IN DETERMINING WHETHER TO PURCHASE BONDS THAT ARE NOT IN A WEEKLY RATE MODE AND SECURED BY THE LETTER OF CREDIT. See "APPENDIX A - Certain Information Concerning the Bank".

Bonds are Limited Obligations of the Agency

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND ARE PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY OR ON BEHALF OF THE UNIVERSITY IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN AGREEMENT AND THE TRUST AGREEMENT 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.

A summary of certain provisions of the Trust Agreement and the Loan Agreement is included as "APPENDIX D – Definitions of Certain Terms and Summaries of the Loan Agreement and the Trust Agreement" to this Official Statement.

The following descriptions are not comprehensive or definitive. All references to the Act, the Bonds, the Trust Agreement, the Loan Agreement, the Remarketing Agreement, the Reimbursement Agreement, the Bank and the Letter of Credit are brief summaries of certain provisions thereof and are qualified in their entirety by the definitive forms of such statute and documents. Copies of the documents are available for inspection at the principal corporate trust office of the Trustee located at Two Burlington Square, Burlington, Vermont.

THE AGENCY

The Agency was created as a body corporate and politic constituting a public instrumentality of the State for the purpose of exercising the powers conferred on it by virtue of the Act. The purpose of the Agency is essentially to assist 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 Administration of the State and the Secretary of the Agency of Human Services Agency 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 elected 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. There is currently one vacancy on the Board. The present officers and members of the Agency and their places of business or residence are as follows:

Officers

James B. Potvin, Chair
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

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

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

Ex Officio Members

Jeb Spaulding
State Treasurer
Montpelier, Vermont

Michael K. Smith
Secretary of the Agency of Administration
Montpelier, Vermont

Richard Cate
Commissioner of Education
Montpelier, Vermont

Cynthia D. LaWare
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

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

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

Neal G. Robinson
Vice President and Treasurer
Vermont Electrical Power Company, Inc.
Rutland, Vermont

Stephen A. Gurin
Regional Vice President
Community National Bank
Barre, Vermont

Sandra Predom
Vice President
Merchant's Bank
Rutland, Vermont

Stuart Weppeler
Financial Consultant
Morrisville, Vermont

Executive Director

Robert W. Giroux, Executive Director
Vermont Educational and Health
Buildings Financing Agency
58 East State Street
Montpelier, Vermont

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

Sidley Austin LLP, New York, New York, is 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 E.

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

Financing Programs of the Agency

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

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

The Agency under the Act may issue from time to time other bonds and notes under separate resolutions to assist 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 Trust Agreement against any past, present or future member, officer, employee or agent, as such, of the Agency or of any predecessor or successor corporation, either directly or through the Agency or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise.

SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

The Trust Agreement and the Loan Agreement

Pursuant to the Loan Agreement, the University will repay the Loan in monthly installments, or as otherwise provided in the Loan Agreement. Under the Loan Agreement, Loan Repayments shall be sufficient in the aggregate to repay the Loan, together with interest thereon and to pay the Bonds in full, together with the total interest and redemption premium, if any, thereon.

Under the Trust Agreement, the Agency will assign and pledge to the Trustee in trust upon the terms of the Trust Agreement (i) all right, title and interest of the Agency in and to the Loan Agreement (subject to the reservation of certain rights of the Agency, including its rights to notices, payment of certain expenses and indemnity) and (ii) all money and securities held by the Trustee in the Bond Fund and the Construction Fund (each as established under the Trust Agreement).

The obligation of the University to make the Loan Repayments and all other Required Payments under the Loan Agreement is the absolute and unconditional general obligation of the University.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND ARE PAYABLE SOLELY FROM PAYMENTS TO BE MADE BY OR ON BEHALF OF THE UNIVERSITY IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN AGREEMENT AND THE TRUST AGREEMENT 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 Letter of Credit

Under the terms of the Reimbursement Agreement, payment of the principal and purchase price of and interest on the Bonds of up to 40 days (computed at a maximum rate of 12% per annum on the basis of a 365 day year), is secured by the Letter of Credit to be issued by the Bank to the Trustee. The Trustee will draw upon the Letter of Credit in accordance with its terms to pay the principal of and interest on the Bonds, whether upon redemption, at maturity or upon acceleration of maturity, and to pay, on any Purchase Date, the purchase price of Bonds tendered or deemed tendered for purchase and not remarketed.

The Letter of Credit shall terminate automatically on the earliest of (i) the payment by the Bank to the Trustee of the final drawing available to be made under the Letter of Credit; or (ii) receipt by the Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an authorized representative of the University stating that no Bonds remain outstanding; or (iii) receipt by the Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an authorized representative of the University stating that an "Alternate Credit Facility, a Liquidity Facility or a Self-Liquidity Arrangement in substitution for the Letter of Credit has been accepted by the Trustee and is in effect"; or (iv) June 10, 2011, as such date may be extended or amended pursuant to the Reimbursement Agreement or the Letter of Credit; or (v) the close of business of the Bank on the fifteenth (15th) Business Day following the date Notice of Default (as defined in the Reimbursement Agreement) in the form attached to the Letter of Credit is received by the beneficiary under the Letter of Credit from the Bank notifying the beneficiary under the Letter of Credit of the occurrence and continuance of an Event of Default under the Reimbursement Agreement, or (vi) one (1) Business Day after the Conversion Date of the Bonds.

For a more detailed description of the Bank, see "APPENDIX A - Certain Information Concerning the Bank". For a more detailed description of the Reimbursement Agreement, see "APPENDIX G - Summary of Certain Provisions of the Reimbursement Agreement".

Alternate Credit Facility; Alternate Liquidity Facility

In accordance with the provisions of the Loan Agreement, so long as the Bonds bear interest at the Weekly Interest Rate, a Liquidity Facility, a Credit Facility or a Self Liquidity Arrangement is to be in effect. The

Corporation may replace the Letter of Credit with a Liquidity Facility, an Alternate Credit Facility or a Self Liquidity Arrangement meeting with the requirements of the Trust Agreement. The Bonds are subject to mandatory tender upon the substitution or replacement of the Letter of Credit. See “THE BONDS - Tender and Purchase of Bonds” herein.

RIGHTS OF THE BANK

Pursuant to the Trust Agreement, the Bank is granted certain rights in respect of the Bonds and amendments of and exercise of remedies under the Trust Agreement. Notwithstanding anything to the contrary contained in the Trust Agreement, prior to taking any action permitted by, or exercising any remedy following an Event of Default available under, the Trust Agreement with respect to the Bonds, the Trustee shall first obtain the written consent of the Bank. Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bank shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders, for the benefit of the Bondholders under the Trust Agreement. For purposes of any action under the Trust Agreement with respect to the Bonds requiring the approval of Holders of a percentage of the principal amount of Outstanding Bonds the Bank shall be deemed to be the sole Holder of the Bonds. No waiver of an Event of Default under the Trust Agreement as it may relate to the Bonds shall be granted without obtaining the prior consent of the Bank. The Bonds shall not be accelerated without the prior consent of the Bank. Upon an Event of Default, the Bonds may be accelerated if so directed by the Bank.

For a further summary of rights of the Bank under the Trust Agreement and the Loan Agreement, see Appendix D to this Official Statement.

THE BONDS

The following summary describes the terms of the Bonds only while the Bonds bear interest at the Weekly Interest Rate. Prospective purchasers of the Bonds should not rely on this summary if the Bonds are bearing interest at a rate other than the Weekly Interest Rate. If the University elects to convert the Bonds to another Interest Rate Period, a new official statement or a supplement to this Official Statement describing the terms of the Bonds during such Interest Rate Period will be prepared.

General

The Bonds initially will bear interest at the Weekly Interest Rate as described below under “Determination of the Weekly Interest Rate” unless and until, at the election of the University and upon compliance with the conditions set forth in the Trust Agreement, the interest rate borne by the Bonds is converted to a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates or the Auction Period Rate.

The Bonds are to (i) mature on September 1, 2038, subject to prior redemption as described under “—Redemption” below, (ii) be dated the date of their issuance and (iii) bear interest from that date until paid. So long as the Bonds bear interest at the Weekly Interest Rate, interest will be computed on the basis of a 365- or 366-day year for the actual days elapsed for the Bonds.

The Bonds will be issued as fully registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of DTC. The Bonds may be purchased by the beneficial owners in denominations of \$100,000 and integral multiples of \$5,000 in excess of \$100,000.

While the Bonds bear interest at the Weekly Interest Rate, interest on the Bonds will be payable monthly in arrears on the first Wednesday of each month, commencing July 2, 2008, or the next succeeding Business Day if any such Wednesday is not a Business Day (during a Weekly Interest Rate Period, an “Interest Payment Date”).

Interest on the Bonds will be payable on each Interest Payment Date for the period commencing on the first Wednesday of the preceding month and ending on the Tuesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period). In any event, interest on the Bonds will be payable for the final Interest Rate Period to the date on which the Bonds have been paid in full.

At no time will any Bond (other than a Bank Bond) bear interest at a Weekly Interest Rate that is in excess of the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law.

Principal of and premium, if any, and interest on the Bonds will be paid by the Trustee. Principal is payable upon presentation of the Bonds by the Holders thereof as the Bonds become due and payable. Except as otherwise provided in the Trust Agreement, interest on the Bonds will be payable on each Interest Payment Date by the Trustee by check mailed on the date on which interest is due to the Holders of the Bonds at the close of business on the Regular Record Date in respect of such Interest Payment Date at the registered addresses of such Holders as they appear on the registration books maintained by the Trustee. The Regular Record Date with respect to any Interest Payment Date for the Bonds bearing interest at a Weekly Interest Rate is the Business Day immediately preceding such Interest Payment Date. Notwithstanding the foregoing, so long as records of ownership of the Bonds are maintained through the Book-Entry System described in under “Book-Entry Only System” herein, all payments to the Beneficial Owners of such Bonds will be made in accordance with the procedures described in under “Book-Entry Only System” herein.

The initial Weekly Interest Rate for the Bonds for the period commencing on the date of delivery of the Bonds to and including June 17, 2008, will be determined by the Underwriter. Pursuant to the Trust Agreement and the Remarketing Agreement, the Remarketing Agent will thereafter determine the Weekly Interest Rate on the Bonds and use its best efforts to remarket Bonds subject to optional and mandatory tender for purchase.

Determination of the Weekly Interest Rate

During each Weekly Interest Rate Period, the Bonds will bear interest at the Weekly Interest Rate, which will be determined by the Remarketing Agent on Wednesday of each week during such Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period will be determined on or prior to the first day of such Weekly Interest Rate Period and will apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate will apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period will end on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period will apply to the period commencing on and including Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

The Weekly Interest Rate will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent to the Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell all of the Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof.

In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the Bonds bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Bonds will be the same as the immediately preceding Weekly Interest Rate if such Weekly Interest Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Interest Rate was not determined by the Remarketing Agent, or if the Weekly Interest Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week, as determined by the Remarketing Agent, will be equal to 110% of the SIFMA Index or, if such index is no longer made available, 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major Universities as reported in The Wall Street Journal on the day such Weekly Interest Rate would otherwise be determined as provided in the Trust Agreement.

Conversion of Interest Rates on Bonds

Conversion from Weekly Interest Rate. The University may direct that the interest rate on the Bonds be converted to a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates or the Auction Period Rate upon satisfaction of certain conditions set forth in the Trust Agreement.

If the Interest Rate Period is to be converted from the Weekly Interest Rate, then the Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another Interest Rate Period, at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) to the effective date of the conversion. The Trust Agreement provides that the Trustee is required to give notice of any conversion to another Interest Rate Period to the holders of the Bonds not less than 10 days prior to the proposed effective date of such conversion.

Certain Conditions to Conversion of Interest Rates on the Bonds. In connection with any conversion of the Interest Rate Period from a Weekly Interest Rate Period, the University will cause to be provided to the Trustee a Favorable Opinion of Bond Counsel dated the effective date of such conversion. In the event that Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Rate Period will not be converted from the Weekly Interest Rate Period, and the Bonds will continue to bear interest at a Weekly Interest Rate as in effect immediately prior to such proposed conversion of the Interest Rate Period.

In any event, if notice of such conversion has been mailed to the holders of the Bonds, and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of the proposed conversion, the Bonds will continue to be subject to mandatory purchase on the date which would have been the effective date of such conversion as provided in the Trust Agreement.

The University may rescind its election to convert the Interest Rate Period from a Weekly Interest Rate Period by delivering a rescission notice to the Trustee, the Remarketing Agent, the Tender Agent, the Bank and the Agency on or prior to 10:00 a.m. on the Business Day preceding the proposed effective date of the conversion. However, if a notice of the proposed conversion has been given to the Holders of the Bonds, then the Bonds (except ARS) nevertheless will still be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion, regardless of the rescission.

If, at any time, the Interest Rate Period for the Bonds is to be changed from one Interest Rate Period to another, the Interest Rate Period for all of the Bonds must be changed.

Tender and Purchase of Bonds

The Trust Agreement provides that, so long as Cede & Co. is the sole registered owner of the Bonds, all tenders and deliveries of Bonds under the provisions of the Trust Agreement will be made pursuant to DTC's procedures as in effect from time to time, and none of the Agency, Bank, the University, the Trustee or the Remarketing Agent will have any responsibility for or liability with respect to the implementation of such procedures.

Tender for Purchase Upon Election of Holder During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Bond (other than a Bank Bond) bearing interest at a Weekly Interest Rate will be purchased in authorized denominations from the Holder thereof at the option of such Holder on any Business Day so designated by such Holder in an irrevocable written notice which also states the principal amount of such Bond and the principal amount thereof to be purchased; provided, however, that such Business Day must be at least seven (7) days after the date of the delivery of such notice to the Tender Agent. A Holder must deliver the notice to the Tender Agent at its Principal Office for delivery of the Bonds, to the Trustee at its Principal Office and to the Remarketing Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day. Bank Bonds may not be tendered for purchase at the option of the Holders thereof. A Bond so tendered will be purchased at a purchase price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

Mandatory Tender for Purchase Upon Conversion to a Different Interest Rate Period. The Bonds will be subject to mandatory tender for purchase on the effective date of a conversion to a different Interest Rate Period, or on the day which would have been the effective date of such a conversion to a new Interest Rate Period had certain events described in the Trust Agreement not occurred which resulted in the interest rate on such Bonds not being converted, at a purchase price equal to the principal amount thereof tendered for purchase, without premium, plus

accrued interest to the Tender Date (if the Tender Date is not an Interest Payment Date), payable in immediately available funds.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of the Credit Facility. If at any time the Trustee gives notice that the purchase price of the Bonds tendered for purchase will on the date specified in such notice cease to be payable from a then-existing Credit Facility as a result of the termination, replacement or expiration of the term of such Credit Facility, then such Bonds will be purchased or deemed purchased at a purchase price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Payment Date), payable in immediately available funds. In the event that funds from the remarketing of Bonds are not sufficient to pay the purchase price of all the Bonds subject to mandatory tender upon replacement of an existing Credit Facility, funds for such purchase will be drawn under the then-existing Credit Facility, not the Alternate Credit Facility.

Any purchase of a Bond under the circumstances described in the preceding paragraph will occur: (1) on the fifth Business Day preceding any expiration or termination of the Credit Facility without replacement, and (2) on the date of the replacement of a Credit Facility, in any case where an Alternate Credit Facility is to be delivered to the Trustee. In the case of any replacement of an existing Credit Facility, the existing Credit Facility will be drawn upon to pay the Tender Price, if necessary, rather than the Alternate Credit Facility. No such mandatory tender will be effected upon the replacement of a Credit Facility in the event such Credit Facility is failing to honor conforming draws.

Mandatory Tender for Purchase at the Direction of the University or the Credit Facility Provider. During any Weekly Interest Rate Period, the Bonds are subject to mandatory tender for purchase on any Business Day designated by the University, with the consent of the Remarketing Agent and the Credit Facility Provider, at the Tender Price, payable in immediately available funds. Such purchase date shall be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such designation.

If a Credit Facility is in effect, the Bonds are subject to mandatory tender for purchase on the fourth Business Day after receipt by the Trustee of a written notice from the Credit Facility Provider that an "Event of Default" under the Credit Facility Provider Agreement has occurred and is continuing and a written request from the Credit Facility Provider that all of the Bonds be required to be tendered for purchase.

The Trustee is required to give notice by mail to the Holders of the Bonds secured by a Credit Facility as set forth in the Trust Agreement. Among other things, the notice must state (A) the date of the termination or expiration of the Credit Facility and, in the case of replacement, the date of the proposed substitution of an Alternate Credit Facility (if any), (B) that such Bonds will be purchased as a result of such replacement, termination or expiration, including any termination as a result of such delivery of an Alternate Credit Facility, and (C) the date on which such purchase will occur.

Irrevocable Notice Deemed to be Tender of Bonds. The giving of notice by a Holder of its election to have its Bond purchased during a Weekly Interest Rate Period will constitute the irrevocable tender for purchase of such Bond with respect to which such notice has been given, regardless of whether such Bond is delivered to the Tender Agent for purchase on the relevant Tender Date. If any Holder who has given notice of tender for purchase as described in the preceding sentence fails to deliver such Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or fails to deliver such Bond properly endorsed, such Bond will constitute an Undelivered Bond.

Undelivered Bonds. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, from and after the Tender Date and time of that required delivery, (1) such Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Trust Agreement; (2) interest will no longer accrue thereon; and (3) funds in the amount of the Tender Price of such Undelivered Bond will be held by the Tender Agent uninvested for the benefit of the Holder thereof (provided that the Holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Tender Agent at its Principal Office for delivery of Bonds. The Tender Agent may refuse to accept delivery of any Bond for which a proper instrument

of transfer has not been provided; however, such refusal will not affect the validity of the purchase of such Bond as described in the Trust Agreement.

Payment of Tender Price. For payment of the Tender Price of any Bond required to be purchased as provided in the Trust Agreement on the Tender Date specified in the applicable notice, such Bond must be delivered on the date specified in such notice, to the Tender Agent at its principal office for delivery of the Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Holder thereof or his duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Inadequate Funds for Tenders. If sufficient funds are not available for the purchase of all Bonds tendered or deemed tendered and required to be purchased on any Tender Date, the failure to pay the Tender Price of all Bonds then tendered when due and payable shall constitute an Event of Default pursuant to the terms of the Trust Agreement and all Bonds then tendered shall be returned to their respective Holders and shall bear interest at a rate which is the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law from the date of such failed purchase until all such Bonds are purchased as required in accordance with the terms of the Trust Agreement. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient others funds from the Credit Facility Provider or the University.

Special Considerations Relating to the Bonds

The Remarketing Agent is Paid By the University. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Trust Agreement and the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed by the University and is paid by the University for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Holders and potential purchasers of Bonds.

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

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

market transaction outside the tender process, offer such Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

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

The Remarketing Agent May Resign. The Remarketing Agent may resign, upon thirty (30) days' prior written notice, provided that such resignation will not take effect until a successor is appointed pursuant to the Trust Agreement.

Redemption

The Bonds are subject to redemption as described below.

Optional Redemption. The Bonds are subject to redemption by the Agency prior to maturity, at the direction of the University, in whole or in part, on any date at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest to the redemption date.

The University has covenanted in the Reimbursement Agreement to direct the optional redemption of a portion of the Bonds annually, in such amounts as are set forth in the Reimbursement Agreement. Bondholders should be aware that this is a covenant by the University to the Bank and not to Bondholders. The Bank has retained the right to waive or amend this covenant.

Bank Bonds. The University may redeem Bank Bonds, at its option, at any time, upon one Business Day's notice of redemption to the Credit Facility Provider and the Trustee, unless a longer notice period is required by the Credit Facility Provider Agreement then in effect, at a redemption price of 100% of the principal amount of the Bank Bonds to be redeemed plus accrued interest, if any, to the redemption date.

During the term of the Letter of Credit, Bank Bonds shall be redeemed as set forth in the Reimbursement Agreement.

Extraordinary Redemption Without Premium. The Bonds are also required to be redeemed by the Agency, at the direction of the University, in whole or in part on any date, upon (i) damage or destruction of all or any part (if damage or destruction of such part causes the University to be impracticable to operate, as evidenced by an Officer's Certificate filed with the Agency and the Trustee) of the Operating Assets by fire or casualty, or loss of title to or use of substantially all of the Operating Assets as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof, or (ii) certain changes in law described in the Loan Agreement, and, upon the occurrence of either (i) or (ii), to such extent that in the opinion of the board of trustees of the University and in the opinion of the board of trustees of the University and in the opinion of an independent architect, engineer or management consultant (as may be appropriate for the particular event), both filed with the Agency and the Trustee, (i) the Loan Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date hereof are imposed on the University.

General Redemption Provisions

The Bonds may be redeemed only in authorized denominations. The Trustee will select the Bonds to be redeemed in accordance with the terms and provisions of the applicable Trust Agreement. Bank Bonds shall be redeemed prior to any Bonds that are not Bank Bonds.

If less than all of the Bonds of any maturity are to be called for redemption, the Trustee is to select by lot, in such manner as the Trustee in its discretion may determine; provided that for so long as the only Holder is a Securities Depository Nominee, such selection will be made by the Securities Depository; provided, further that in

all cases Bonds purchased by the Bank are to be redeemed first in the chronological order of the purchase of such Bonds by the Bank. If less than the principal amount of a Bond is called for redemption, the Agency is to execute and the Trustee is to authenticate and deliver, upon surrender of such Bond, without charge to the Holder thereof in exchange for the unredeemed principal amount of such Bond at the option of such Holder, Bonds in any of the Authorized Denominations or, if the Bonds are held in the Book-Entry System, the Securities Depository shall, acting pursuant to its rules and procedures, reflect in the Book-Entry System the partial redemption and the Trustee shall (i) either exchange the Bond held by the Securities Depository for a new Bond in the appropriate principal amount, if such Bond is presented to the Trustee by the Securities Depository, or (ii) obtain from the Securities Depository a written confirmation of the reduction in the principal amount of the Bonds held by such Securities Depository.

Notice of Redemption

So long as DTC or its nominee is the registered owner of the Bonds, the Trustee, the Agency, the Bond Registrar will recognize DTC or its nominee as the registered owner of the Bonds for all purposes, including notices and voting. 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 and regulatory requirements as may be in effect from time to time.

The Trustee shall give notice of redemption to the Holders of Bonds to be redeemed by mail, first-class postage prepaid, not less than 30 days nor more than 60 days prior to the date fixed for redemption.

In the case of an optional or extraordinary redemption of the Bonds, the redemption notice may state that (a) it is conditioned upon the deposit of moneys, or Defeasance Obligations, or a combination of both, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the scheduled redemption date or (b) the University retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is rescinded. In the case of a Conditional Redemption subject to the deposit of moneys or Defeasance Obligations, the failure of the University or any other Person to make such moneys or Defeasance Obligations available in part or in whole on or before the scheduled redemption date will not constitute an Event of Default under the applicable Trust Agreement and any Bonds subject to such Conditional Redemption will remain Outstanding. Any Conditional Redemption subject to rescission may be rescinded in whole or in part at any time on or prior to the scheduled redemption date if a Hospital Representative instructs the Trustee in writing to rescind the redemption notice. Any Bonds subject to Conditional Redemption where redemption has been rescinded will remain Outstanding, and the rescission will not constitute an Event of Default under the applicable Trust Agreement.

So long as DTC or its nominee is the registered owner of the Bonds, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected, will not affect the validity of the redemption of such Bonds.

Payment of Redeemed Bonds

Notice having been given in the manner provided above, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the redemption price, plus interest accrued and unpaid to the redemption date. If Available Moneys, or Defeasance Obligations, or a combination of both, sufficient to pay the redemption price of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Trustee in trust for the Holders of Bonds to be redeemed, interest on the Bonds called for redemption will cease to accrue, such Bonds will cease to be entitled to any benefit or security under the Trust Agreement or to be deemed Outstanding and the Holders of such Series Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, plus accrued interest to 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 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 and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, each of which are registered clearing agencies. 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in 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 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, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to 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.

So long as Cede & Co., as nominee of DTC, is the Bondholder, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity 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 (the "Omnibus Proxy") to the Trustee 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, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates 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 Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, 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 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.

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

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

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC'S WEBSITE AND IS PRESUMED TO BE RELIABLE, BUT NONE OF THE AGENCY, THE UNIVERSITY, THE TRUSTEE NOR THE UNDERWRITER TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

NONE OF THE AGENCY, THE UNIVERSITY, THE TRUSTEE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) THE PAYMENTS BY DTC, ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (iii) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (iv) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (v) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

Transfer and Exchange After Discontinuance of the Book-Entry-Only System

Bonds, upon surrender thereof at the principal corporate trust office of the Bond Registrar, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same series and maturity, of any denomination or denominations authorized by the Trust Agreement, bearing interest at the same rate and in the same form as the registered Bonds surrendered for exchange.

In all cases in which Bonds are exchanged or transferred, the Agency will execute and the Bond Registrar will authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of the Trust Agreement. All Bonds surrendered in any such exchange or registration of transfer will be cancelled by the Bond Registrar. No service charge will be made for any registration, transfer or exchange of Bonds, but the Agency and the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds. Neither the Agency nor the Bond Registrar is required (1) to issue, transfer or exchange the Bonds during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or (2) to transfer or exchange any Bond so selected for redemption in whole or in part.

THE UNIVERSITY

For a discussion of the University, its governance, administration, facilities, academic program, student body and financial operations, see the information concerning the University included as “APPENDIX B – Information Concerning the University” to this Official Statement. The financial statements of the University for the fiscal year ended May 31, 2007 audited by KPMG LLP, the University’s independent auditor (the “Auditors”), are included in Appendix C. The Auditors have not been engaged to perform and have not performed, since the date of their report included in Appendix C, any procedures on the financial statements addressed in such report. The Auditors also have not performed any procedures relating to this Official Statement. The University has not asked for nor has it received the consent of the Auditors to include the University’s financial statements in this Official Statement.

PLAN OF FINANCE

The University will use a portion of the proceeds of the Bonds to finance a project to pay, or reimburse the University for paying, a portion of the costs of acquiring, constructing, renovating, equipping and furnishing of (a) an approximately 280 bed dormitory of approximately 72,150 square feet, including associated costs such as professional fees, permits, fixtures, and site work, (b) related infrastructure (water, sewer, electricity, roads, walks, surface parking) required at the site, (c) a boiler room and on-site emergency generator in such dormitory, (d) an upgraded approximately 10,400 square foot basement of the Engineering, Math and Science Complex, and (e) renovations to certain academic facilities as needed to move equipment to the upgraded Engineering, Math and Science Complex. In addition, the University will use a portion of the proceeds of the Bonds to effect the current refunding of the Agency’s Revenue Bonds (Norwich University Project), Series 2006, currently outstanding in the principal amount of \$50,750,000 (the “2006 Bonds”). For a more detailed description of the Project, see “APPENDIX B – Information Concerning the University” hereto. A more detailed description of the use of proceeds of the Bonds and other moneys and receipts, including approximate amounts and purposes, is included herein under “ESTIMATED SOURCES AND USES OF FUNDS.”

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds will be applied to fund the Project and to pay certain expenses incurred in connection with the issuance of the Bonds. Set forth below are the estimated sources of funds which will be available for such purposes and the estimated uses of funds required for such purposes (rounded to the nearest dollar):

<u>Sources of Funds</u>	
Par Amount of Bonds	\$78,200,000
Other Available Funds ¹	<u>804,000</u>
Total Sources of Funds	<u>\$79,004,000</u>
 <u>Uses of Funds</u>	
Deposit to the Construction Fund	\$26,225,312
Refunding of 2006 Bonds	50,750,000
Capitalized Interest	1,356,638
Costs of Issuance ²	<u>672,050</u>
Total Uses of Funds	<u>\$79,004,000</u>

1. Funds on account for debt service on the 2006 Bonds.

2. Includes the underwriter's discount, legal fees and other costs related to the issuance of the Bonds.

SWAP AGREEMENT

The University has previously entered into an interest rate swap agreement (the "Swap Agreement") with Merrill Lynch Capital Services, Inc. ("MLCS"), with a current notional amount of \$50,750,000. In connection with the issuance of the Bonds, the University and MLCS intend to amend and restate such agreement, the result of which, among other things, would increase the notional amount to \$78,200,000. In general, the Swap Agreement provides that MLCS will pay to the University a floating amount and the University will pay to MLCS a fixed amount, in each case based on the notional amount. Payments to be made by the University and MLCS under the Swap Agreement are not pledged to the payment of the Bonds. The University's obligation to make regularly scheduled payments under the Swap Agreement are secured on a parity basis with the University's obligations to the Bank under the Reimbursement Agreement. The agreement by MLCS to pay amounts to the University pursuant to the Swap Agreement does not affect the obligations of the University under the Loan Agreement to pay the principal of, interest on, or redemption price of, the Bonds. No assurance can be given that the variable amounts received by the University will equal or exceed the amount of interest payable on the Bonds. The Swap Agreement provides that the notional amount will be reduced from time to time in the amounts set forth in the Swap Agreement and will expire on the maturity date of the Bonds. The Holders of the Bonds have no rights under the Swap Agreement or against MLCS. MLCS has no obligation to make any payments with respect to the principal of, interest on, or redemption price of, the Bonds. The Swap Agreement may be terminated prior to maturity of the Bonds, in which case the University may be obligated to make a substantial payment to, or may be entitled to receive a substantial payment from, MLCS.

RISK FACTORS

Purchase of the Bonds involves a degree of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Bonds are an appropriate investment. Certain of the risks associated with the purchase of the Bonds are described below. The following list of possible factors, while not setting forth all the factors which must be considered, contains some of the factors which should be considered prior to purchasing the Bonds. This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive. Prospective purchasers of the Bonds should give careful consideration to the matters referred to in the following summary. Such summary should not be considered exhaustive, but rather informational only.

No Obligation of the State of Vermont

NEITHER THE STATE OF VERMONT NOR THE AGENCY IS OBLIGATED TO PAY THE PRINCIPAL, PREMIUM, IF ANY, OR PURCHASE PRICE OF, OR INTEREST ON THE BONDS (EXCEPT THE AGENCY FROM THE REVENUES UNDER THE LOAN AGREEMENT) AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF VERMONT OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR PURCHASE PRICE OF, OR INTEREST ON THE BONDS. THE AGENCY DOES NOT HAVE TAXING POWER.

Adequacy of Revenues

No representation or assurance can be given that the Borrower will generate sufficient revenue to pay the Bonds and to make other payments required by the Loan Agreement. The ability of the Borrower to make payments under the Loan Agreement depends, among other things, upon the capabilities of management of the Borrower, economic conditions including the demand for educational services, and the ability of the Borrower to realize an adequate return on its investments and other factors. No assurances can be given that the revenues available to the Borrower from its operations will be available in amounts sufficient to make the required payments under the Loan Agreement. For a discussion of the financial condition of the Borrower, see “APPENDIX B - Information Concerning the University.” The audited financial statements of the Borrower for the fiscal year ended May 31, 2007 are included in APPENDIX C hereto. The audited financial statements attached as APPENDIX C show the financial position of the Borrower. The Borrower is the only obligor under the Bonds.

The Letter of Credit; Default by the Bank

The Bank will issue the initial Letter of Credit which will authorize the Trustee to draw on the Bank, in accordance with the terms and conditions set forth in the initial Letter of Credit, by drafts while the Bonds bear interest at the Weekly Interest Rate, periodically in an amount equal to the principal of the Bonds, when due, whether at stated maturity or upon redemption or acceleration of the Bonds, the Purchase Price of Bonds tendered for purchase pursuant to the Loan Agreement, and up to 40 days’ accrued interest on the Bonds. **The Letter of Credit is the Bondowners’ primary expected source of payment of principal of, purchase price of, and interest on the Bonds.** The Bank’s obligation under the Letter of Credit will be a general obligation of the Bank, which will not be guaranteed or secured, in whole or in part, by the United States of America or any agency or instrumentality thereof. Default by the Bank under the Letter of Credit may result in insufficient revenues being available to pay the principal and purchase price of, and interest on the Bonds. Certain information with respect to the Bank is included in “APPENDIX A - Certain Information Concerning the Bank.”

Possible Redemption

The Bonds are subject to redemption upon the occurrence of certain events more particularly described under “THE BONDS - Redemption.” Rights of redemption include the right of optional redemption in whole or in part by the Borrower without premium. Owners of the Bonds are subject to these rights of redemption and Bondowners will be unable to continue to hold their Bonds in the event of redemption.

Financial Status of the Borrower and the Project

Only limited information with respect to the Borrower and the Project is included herein. See “APPENDIX B - Information Concerning the University” and “APPENDIX C - Financial Statements of the University for the Fiscal Year ended May 31, 2007”. The information was not obtained from an independent third party. The financial success of the Borrower and/or the Project may affect the risk of an acceleration of the Bonds prior to maturity. The financial statements attached as APPENDIX C show the financial position of the University as of May 31, 2007.

If the Borrower were to file a petition for relief under Title 11 of the United States Code (the “Federal Bankruptcy Code”), such filing would constitute an “Event of Default” under the Loan Agreement permitting, under the terms set forth in the Loan Agreement, the acceleration of the Bonds. At least one bankruptcy court, however, has temporarily prohibited an indenture trustee from declaring a default based solely upon the commencement of a

Chapter 11 reorganization case provided that the Borrower has timely made all debt service payments both before and after the case and no other events of default exist.

Default by the Borrower

No representations or assurances can be given that the Borrower will not default in performing its obligations under the Loan Agreement or any of the other financing documents. If an Event of Default occurs under the Loan Agreement, the Trustee may accelerate the maturity of the Bonds and interest will cease to accrue on the date of acceleration, notwithstanding the fact that the Bondowners may not receive notice of such acceleration until after such date.

The Reimbursement Agreement

In the Reimbursement Agreement, the Borrower makes certain covenants for the benefit of the Bank, including, without limitation, covenants concerning the financial performance of the Borrower and the ability of the Borrower to incur additional indebtedness. A failure by the Borrower to comply with each of these covenants may result in an Event of Default under the Reimbursement Agreement. Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Bank may direct the Trustee to declare the Bonds immediately due and payable and draw on the Letter of Credit to pay the principal and interest on the Bonds.

The terms of the Reimbursement Agreement may be modified, amended or supplemented by the Bank and the Borrower from time to time without giving notice to or obtaining the consent of the Bondowners. Any amendment, modification or supplement to the Reimbursement Agreement may contain amendments or modifications to the covenants of the Borrower or additional covenants of the Borrower and these amended or modified covenants may be more or less restrictive than those in effect at the date of issuance of the Bonds.

Economic Factors Beyond the Borrower's Control

Apart from competition and other business risks facing the Borrower, the financial performance of the Borrower will depend to some degree upon factors beyond the control of its management, including general national and local economic conditions (e.g., inflation, unemployment, population growth and distribution trends) and federal, state and local taxation and laws and regulations affecting the Borrower.

Enforceability of Remedies

The remedies available to the Trustee, the Agency and the Bondowners upon an event of default under the Loan Agreement or the Reimbursement Agreement are in many respects dependent upon judicial actions which are, in turn, often subject to discretion and delay. Under existing constitutional and statutory laws and judicial decisions, including specifically the Federal Bankruptcy Code, a particular remedy specified by the Loan Agreement or the Reimbursement Agreement may not be readily available or, if available, may be limited or subject to substantial delay. The various legal opinions to be delivered concurrently with the issuance and delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by principles of equity and by bankruptcy, reorganization, insolvency, moratorium and similar laws affecting the rights of creditors generally.

Event of Taxability

If the Borrower does not comply with certain covenants of the Borrower in the Loan Agreement or if certain representations made by the Borrower in the Loan Agreement or certain certificates of the Borrower are false or misleading, the interest payable on the Bonds may become subject to federal income taxation retroactive to the date of issuance of the Bonds, regardless of the date on which noncompliance or misrepresentation is ascertained. In the event that interest on the Bonds should become subject to federal income taxation, the Loan Agreement does not provide for the redemption of the Bonds, the acceleration of the payment of debt service on the Bonds, or an increase in interest paid on the Bonds.

Factors Generally Affecting Educational Institutions

Net tuition and fee revenues are the largest revenue source for the Borrower. While the Borrower has been able to demonstrate sufficient student demand for its academic programs at current tuition levels, there is no assurance that the Borrower will be able to maintain student demand at current and planned tuition levels.

The following factors, which are not all inclusive, may adversely affect the operations of educational institutions in the future, including the operations of the Borrower to an extent that cannot be determined at this time: (i) the reduced demand for college education or the services arising from a change in demographics, or a decline in the economic conditions of the areas from which the Borrower draws significant portion of their enrollment; (ii) cost increases without corresponding increases in revenue could result from, among other factors, increases in the salaries, wages and fringe benefits, of Borrower employees and inflation; (iii) future legislation and regulations affecting colleges and universities, their tax exempt status, financial aid and student loans and educational institutions in general could adversely affect the operations of the Borrower; (iv) competition from colleges and universities located throughout the United States, and from alternative or substitute educational programs may decrease enrollment at the Borrower; and (v) the Internal Revenue Code of 1986, as amended, places certain limitations on the ability of educational institutions to finance certain projects, invest bond proceeds and advance refund prior tax exempt bond issues.

These limitations may increase the interest costs for future borrowings by the Borrower.

Dependence on Educational Assistance

A substantial portion of the Borrower's revenues from tuition and fees is funded by guaranteed student loans and other federal government programs listed under the caption "UNDERGRADUATE TUITION AND FINANCIAL AID" in APPENDIX B as well as the Borrower's own funds. Financial assistance in the form of scholarships, grants, loans and employment is a significant factor in the decision of many students to attend a particular college or university. The level of financial assistance is directly affected by funding levels of federal and State financial aid programs, the level of private giving to the Borrower and income derived from the investment of endowment and similar funds.

THERE IS NO ASSURANCE THAT THESE PROGRAMS WILL CONTINUE TO BE AVAILABLE TO THE STUDENTS OF THE BORROWER. A SUBSTANTIAL CHANGE IN FINANCIAL AID OR STUDENT LOAN AVAILABILITY COULD ADVERSELY AFFECT THE BORROWER'S ABILITY TO GENERATE TUITION REVENUES AND THEREFORE ITS ABILITY TO MAKE PAYMENTS UNDER THE LOAN AGREEMENT.

Investment Income

A portion of the Borrower's total revenues and support (unrestricted, temporarily restricted and permanently restricted net assets) is derived from income earned on investments of the Borrower's funds (investment income and net realized and unrealized gains on investments). While the Borrower believes its investments are managed prudently and has adopted policies designed to ensure the prudent management of its investments in the future, there can be no assurance that unforeseen developments in the securities markets will not have an adverse effect on the market value of those investments and the income generated therefrom.

Fund Raising

The Borrower has demonstrated its ability to raise funds from a variety of sources to finance its operating and capital needs and to build the size of its endowment. While the Borrower plans to continue these efforts, there can be no assurance that it will be able to continue to raise funds at current levels. Such efforts may be affected adversely by a number of factors, including changes in general economic conditions and changes in tax law affecting the deductibility of charitable contributions.

Competition

A key factor in maintaining its revenues is the Borrower's ability to attract a sufficient number of qualified students and faculty. The Borrower competes with higher education institutions located in Vermont as well as other colleges and universities in the regions from which the Borrower draws its students, including publicly-supported higher education institutions. The Borrower expects to encounter competition in maintaining its recruiting base and seeking to expand its student recruitment. Attracting and retaining qualified faculty is essential to attracting qualified students and is dependent on the Borrower's ability to offer competitive compensation and facilities. No assurances can be given that the Borrower will continue to attract sufficient numbers of qualified students or faculty so that its revenues will be sufficient to make the payments required under the Loan Agreement.

Environmental Laws and Regulations

The Borrower is subject to a wide variety of federal, state and local environmental, health and safety laws and regulations. In the role of an operator of properties or facilities, the Borrower may be subject to liability for investigating and remediating any hazardous substances that have come to be located on its property, including any such substances that may have migrated off of its property. Typical educational operations include, but are not limited to, the handling, use, storage, transportation, incineration, disposal and/or discharge of hazardous, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, educational operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations.

The Borrower is not currently aware of any pending or threatened claim, investigation or enforcement action regarding environmental, health or safety issues which, if determined adversely to the Borrower, would have material adverse consequences to the operations or financial condition of the Borrower. There can be no assurance given, however, that the Borrower will not encounter environmental, health or safety-related risks in the future, and such risks may result in material adverse consequences to the operation or financial condition of the Borrower.

Certain Matters Relating to Enforceability of the Agreement

The enforceability of the obligations of the Borrower under the Loan Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws or by equitable principles affecting the enforcement of creditors' rights generally.

Change in Law

The Borrower cannot assure that federal or state laws, rules and regulations, and the programs implemented under such laws, rules and regulations, will not be amended or modified in the future in a manner that might adversely impact the Borrower or its programs. For instance, it is not unusual for colleges and universities whose property is exempt from property tax to be confronted from time to time by proposed legislation from various sources that would allow the property of such colleges or universities to be subject to property taxes or payments in lieu of taxes in whole or in part. At this time, it is not possible to speculate whether such a version would be actively considered, and if considered, in what form. In addition, existing legislation and future measures to reduce federal spending or redirect federal spending for other purposes may adversely affect the amount and nature of federal financial assistance to Borrower students.

Market Factors

The financial condition of the Borrower as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Borrower's control. There can be no assurance that an adverse event will not occur which might affect the market price of and the market for the Bonds. If a significant event should occur in the affairs of the Borrower, the market for and market value of the Bonds could be adversely affected.

Miscellaneous

The Borrower may be impacted by the cost and the limited availability and sufficiency of insurance for risks such as property damage and general liability.

The occurrence of natural disasters, including earthquakes and hurricanes, may damage the facilities of the Borrower, interrupt utility service to the facilities, or otherwise impair the operations of the Borrower and the generation of revenues from its facilities. The facilities of the Borrower are covered by general property insurance in an amount which its management considers to be sufficient to provide for the replacement of such facilities in the event of a natural disaster.

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 University and the Agency with certain requirements of the Code and covenants of the Trust Agreement and the Loan Agreement regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the U.S. Treasury, if required, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation. Failure by the University or the Agency to comply with their respective covenants to comply with the provisions of the Code regarding the use, expenditure and investment of Bond proceeds 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 University. 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 University with respect to certain material facts within the knowledge of the University which Bond Counsel has not independently verified and upon the accompanying opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the University, that the University 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 University has done nothing to impair such status. The tax exemption of interest on the Bonds is dependent upon, among other things, the University's status as a "Section 501(c)(3) organization" and, therefore, the conclusion of Bond Counsel that such interest is excludable from gross income for federal income tax purposes is dependent, in part, upon 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.

Backup Withholding

The Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, contains a provision under which interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although the new reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to registered owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax

returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

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, 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.

There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Bonds. Legislation or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Bonds.

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.

REMARKETING AGENT

Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed to serve as remarketing agent (the "Remarketing Agent") for the Bonds. The Remarketing Agent may resign or be removed and a successor remarketing agent may be appointed in accordance with the terms of the Trust Agreement and the Remarketing Agreement, dated as of June 1, 2008 between the Remarketing Agent and the University.

LEGALITY OF BONDS FOR INVESTMENT

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

STATE NOT LIABLE ON BONDS

The State is not liable for the payment of the principal 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 none of the Bonds nor any of the Agency's agreements or obligations shall be construed to constitute an indebtedness of the State within the meaning of any constitutional or statutory provision whatsoever, nor shall the Bonds directly or indirectly or contingently obligate the State or any municipality or political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment.

COVENANT BY THE STATE

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

FINANCIAL ADVISOR

Public Financial Management, Inc., Boston, Massachusetts, served as financial advisor to the Agency in connection with the issuance of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) pursuant to a Purchase Contract to be entered into by and among the Agency, the University and the Underwriter. The Underwriter has agreed to purchase the Bonds at a purchase price equal to \$77,984,950 (representing the aggregate principal amount of the Bonds less an underwriter’s discount in the amount of \$215,050), and to reoffer such Bonds at the initial reoffering price set forth on the inside cover page hereof. The obligations of the Underwriter are subject to certain terms and conditions contained in the Purchase Contract. The Underwriter will be obligated to purchase all of the Bonds if any of the Bonds are so purchased. The University has agreed to indemnify the Underwriter and the Agency against certain liabilities, including certain liabilities arising under federal and state securities laws. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices or yields lower than the public offering prices or yields stated on the inside cover page hereof. The initial offering prices or yields set forth on the inside cover page of this Official Statement may be changed from time to time by the Underwriter.

RATING

The Bonds are expected to be rated “Aa2/VMIG-1” by Moody’s Investors Service, Inc. (“Moody’s”), based upon the long-term and short-term ratings assigned by such rating agency to the Bank. Such rating reflects only the views of Moody’s and any explanation of the significance of such rating should be obtained from Moody’s. There is no assurance that any rating mentioned above will remain unchanged for any given period of time or that any such rating may not be lowered or withdrawn entirely by Moody’s if in its judgment circumstances so warrant. Any such downward change in or withdrawal of any such rating may have an adverse effect on the market price of the Bonds. The above rating is not a recommendation to buy, sell or hold the Bonds.

ABSENCE OF MATERIAL LITIGATION

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

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

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 University has covenanted, for the benefit of the Bondholders, to file certain annual financial and other information and notices

required to be provided by Rule 15c2-12 with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) and with any State information depository (the “Undertaking”). The specific nature of the information to be contained in the Undertaking or notices of material events is summarized in “APPENDIX D – Definitions of Certain Terms and Summaries of the Loan Agreement and Trust Agreement – Summary of the Loan Agreement – 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 Bondholders or to any other person. The University is currently required to provide information with respect to Rule 15c2-12 as a result of being obligated under certain outstanding series of the Agency’s Revenue Bonds (Norwich University Project). Due to an ambiguity in the existing disclosure obligations, the University may not have complied with such disclosure obligations. Any information which should have been filed previously is contained in “APPENDIX B – Information Concerning the University” to this Official Statement, which will be filed with the NRMSIRs upon issuance of the Bonds.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of legality by Sidley Austin LLP, New York, New York. Copies of such opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Agency by its counsel, Deppman & Foley, P.C., Middlebury, Vermont; for the University by its counsel, Dinse, Knapp & McAndrew, P.C., Burlington, Vermont; for the Underwriter by its counsel, Greenberg Traurig, LLP, Boston, Massachusetts; and for the Bank by its counsel, Hinckley, Allen & Snyder LLP, Concord, New Hampshire.

FINANCIAL STATEMENTS

The financial statements of the University for the fiscal year ended May 31, 2007 included in Appendix C to this Official Statement have been audited by the Auditors to the extent indicated in their report which appears in Appendix C. **The Auditors have not been engaged to perform and have not performed, since the date of their report included in Appendix C, any procedures on the financial statements addressed in such report. The Auditors also have not performed any procedures relating to this Official Statement. The University has not asked for nor has it received the consent of the Auditors to include the University’s financial statements in this Official Statement.**

OTHER MATTERS

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

The agreement of the Agency with the Holders of the Bonds is fully set forth in the Trust Agreement, and this Official Statement is not to be construed as constituting an agreement with the purchasers of the Bonds.

The University has reviewed the information contained herein which relates to it and in Appendices A and B hereto, and it has approved all such information for use in this Official Statement.

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

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

VERMONT EDUCATIONAL AND HEALTH
BUILDINGS FINANCING AGENCY

BY: /s/ Robert W. Giroux
Executive Director

NORWICH UNIVERSITY

BY: /s/ Richard E. Rebmann
Chief Financial Officer

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APPENDIX A

Certain Information Concerning the Bank

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Certain Information Concerning RBS Citizens, National Association
As of March 31, 2008

The following information concerning RBS Citizens, National Association (**Bank**) has been provided by representatives of the Bank and has not been independently certified or verified by the Issuer, the Borrower or the Placement Agent.

The Bank is a national banking association with its main office in Providence, Rhode Island. Except for directors' qualifying shares, the Bank is a wholly-owned subsidiary of Citizens Financial Group, Inc. (**Citizens**). Citizens is also the parent holding company for Citizens Bank of Pennsylvania and numerous other non-bank entities, and is owned by The Royal Bank of Scotland Group plc (**RBS**). RBS acquired Citizens in 1988.

The Bank was chartered in May 2005 under the name "Citizens Bank, National Association". The Bank's name changed from "Citizens Bank, National Association" to "RBS Citizens, National Association" in connection with the mergers of each of the following Citizens subsidiaries — Charter One Bank, National Association, RBS National Bank, Citizens Bank of Massachusetts, Citizens Bank of Connecticut, Citizens Bank New Hampshire, Citizens Bank of Rhode Island, Citizens Bank (Delaware), and CCO Mortgage Corp. — with and into Citizens Bank, National Association. Citizens Bank, National Association survived these mergers under its charter and with the new title of RBS Citizens, National Association. These mergers (as well as the name change) were effective as of September 1, 2007.

The Bank offers a wide range of retail and commercial banking services. Its loan portfolio is divided between commercial loans, including leases and commercial real estate loans, and consumer loans, including residential real estate mortgage loans. The Bank does business through its divisions, including Citizens Bank, Charter One, CCO Mortgage and RBS Card Services.

The Bank is subject to supervision and examination by the Office of the Comptroller of the Currency. It is also subject to requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Various consumer laws and regulations also affect the Bank's operations.

The Letter of Credit is an obligation of the Bank, and is not an obligation of Citizens, RBS or any of their other subsidiaries or affiliates.

Citizens is a Providence-based commercial bank holding company. As of March 31, 2008, Citizens had \$161.8 billion in assets, total equity capital of \$22.1 billion, total deposits of \$97.4 billion, total loans and leases before allowance for loan losses of \$111.0 billion (\$109.8 billion net of allowance) and 22,441 full time equivalent employees.

Based on the annual Summary of Deposits report for June 30, 2007, the Bank had 1,262 branches. As of March 31, 2008 the Bank had total assets of \$130.8 billion, total deposits of \$74.0 billion, total loans and leases before allowance for loan losses of \$91.7 billion (\$90.7 billion net of allowance), and total equity capital of \$17.6 billion.

The foregoing summary information is provided for convenience purposes only. Important additional information with respect to Citizens and the Bank is contained in the publicly available portions of the Bank's Consolidated Reports of Condition and Income for a

Bank with Domestic and Foreign Offices - FFIEC 031, as submitted to the Federal Deposit Insurance Corporation.

Except as set forth in this Appendix, neither the Bank nor its affiliates make any representations as to the contents of this Official Statement, the suitability of the security instruments for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

APPENDIX B

Information Concerning the University

General Information

Founded in 1819 by Captain Alden Partridge as the first private military college in the United States, Norwich University (“Norwich” or “the University”) is today the only private institution among the nation’s six senior military colleges. The University emphasizes leadership development in both military and civilian pursuits and meets the educational needs of its traditional and non traditional students through residential, commuter and distance learning opportunities in a variety of subjects. Its mission is to foster in each student the growth of self discipline, personal integrity, social responsibility, physical fitness, respect for law, and intellectual ability essential for their full and effective participation in a free society. Norwich University is an independent, not-for-profit institution of higher education located in Northfield, Vermont and chartered by the State of Vermont. The University is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code, as amended.

Norwich offers its undergraduate students two lifestyles on one campus. Students who enroll in its Corps of Cadets follow a disciplined military regimen, while civilian students lead a more traditional collegiate lifestyle. Both groups of students reside on the Northfield campus, attend classes together, and participate collectively in sports and other activities. In keeping with its mission, the University provides opportunities for all undergraduate students to develop leadership skills, and it maintains a strong commitment to community service.

The University offers degrees in 28 undergraduate majors. Undergraduates are required to complete a minimum of 120 credit hours over a four-year period. Students select a major field of study from the Schools of Humanities, Engineering, Architecture, Social Sciences, Business and Management, and Mathematics and Sciences. In addition to entering military careers and other professional fields, Norwich graduates are admitted to leading graduate schools of law, medicine, dentistry, engineering and arts and sciences.

During the 2007-08 academic year, the University also offered masters degrees in 10 online programs: Master of Arts in Diplomacy, Master of Arts in Military History, Master of Business Administration, Master of Civil Engineering, Master of Education, Master of Justice Administration, Master of Public Administration, Master of Science in Information Assurance, Master of Science in Nursing, and Master of Science in Organizational Leadership. Also, the University offers a residential Masters in Architecture.

In 2001, the National Security Agency (“NSA”) designated Norwich as a Center of Academic Excellence in Information Assurance for the academic years 2001 through 2004. Only eight other universities nationally received this designation in 2001. Since that time Norwich has been recertified twice through 2012. The goal of the NSA’s program was to reduce the vulnerability of the United States’ national information infrastructure by promoting higher education in information assurance (“IA”), and expanding the number of professionals with IA expertise in various disciplines. As a result of the designation, Norwich received several grants including capacity building and student scholarships totaling more than \$665,000 from the NSA to fund education, training, and research programs to protect the nation’s critical information infrastructure.

In 2002, the National Science Foundation (“NSF”) selected Norwich to receive \$2.4 million in scholarships funded through the NSF Federal Cyber Service’s Scholarship for Service program. This program provides funds to universities to award scholarships to students who study information assurance or computer science. Norwich received an extension from NSF for the original funding cycle and is presently under review for a second five year funding cycle by the NSF.

In 2003, the University launched the National Center for the Study of Counter-Terrorism and Cyber Crime, Ltd. (the “National Center”) as a separate 501(c)(3) organization. The National Center is a nonprofit organization devoted to researching and developing new technologies to combat terrorism and cybercrime. It operates near Norwich and outsources some of its key functions to the University. The National Center’s goal is to enhance the United States’ ability to respond to terrorist and cybercrime threats directed toward the nation and its allies. In 2007, the National Center changed its name to the Norwich University Applied Research Institutes (“NUARI”).

Norwich has a long and distinguished history of leadership and innovation, including:

- the first private institution in the country to teach engineering;
- the first private military school in the nation;
- the birthplace of the Reserve Officers' Training Corps ("ROTC");
- one of the first military colleges to accept women;
- a pioneer in experiential learning, a concept introduced by Norwich's founder, Captain Alden Partridge;
- the first to incorporate physical education into its curriculum;
- one of the first military schools to successfully introduce civilian students onto its campus;
- one of the first institutions in the nation to accept international students;
- the first collegiate band; and
- one of the first American universities to teach agriculture.

In addition, Norwich adheres to the following Statement of Guiding Values:

- We are men and women of honor and integrity. We shall not tolerate those who lie, cheat, or steal.
- We are dedicated to learning, emphasizing teamwork, leadership, creativity, and critical thinking.
- We respect the right to diverse points of view as a cornerstone of our democracy.
- We encourage service to nation and others before self.
- We stress being physically fit and drug free.
- To live the Norwich motto – "I will try!" – meaning perseverance in the face of adversity.
- We stress self-discipline, personal responsibility, and respect for law.
- We hold in highest esteem our people and reputation.

Governance

The University is governed by an independent, self-perpetuating Board of Trustees (the "Board"). The Board consists of no fewer than three members and no more than 35 members. Currently, the Board consists of 30 members due to normal rotations and is actively seeking new members. It elects trustees to five-year terms. The Board elects the President and other University officers. The President serves as a trustee. The Board holds three meetings each year during the fall, winter and spring. The spring meeting is the Board's annual meeting. The Board may hold Special Board meetings as needed. The Executive Committee of nine trustees may exercise the power and authority of the Board during all intervals between meetings of the Board of Trustees.

The Board functions through the following 14 standing committees: Academic Affairs, Alumni & Volunteer Affairs, Athletics, Audit, Budget and Finance, Development, Enrollment Management and Branding, Executive, Facilities, Investment, Leadership, Retention, Technology, and Trustee Affairs.

Occasionally, the Board creates Ad Hoc committees, although none is currently active.

The following is a list of the Norwich Trustees and their affiliations, as of April 2008:

1. Nancy Archuleta President Emeritus/Analytical Solutions of BAE Systems
2. Keith Barrett Director Business Development/Pizzagalli Construction
3. John W. Bride Managing Partner, Airwaves Investments LLC
4. Leo A. Brooks, Jr. VP Business Development/Boeing Company
5. Alan DeForest President/DeForest Group, Inc.
6. Harvey DeMovick, Jr.* Executive VP Customer Service Operations and CIO/Coventry Health Care, Inc. (Retired)
7. Denise M. Donovan Department Manager Operations & Engineering Services at Lockheed Martin
8. George F. Donovan President & CEO/Bluegreen Corporation (Retired)
9. Allen Doyle Professional Golfer
10. Lorna D. Edmundson* President, Wilson College
11. John J. Gatti Vice President, Chief Technology Officer, BAE Systems
12. Edward Giannattasio President, Asset Staffing, Inc.
13. Alfred M. Gray* General, USMC (Retired) Chairman, Potomac Institute for Policy Studies
14. Wm. Blaine Hawkins CPA/Hawkins Conrad Brinson & Co. PLLC
15. Frederick M. Haynes* President/ Haynes Mechanical Systems
16. Linda Parker Hudson President/BAE Systems Land & Armaments
17. Mark M. Kisiel President/Leggatt McCall/Grubb & Ellis (Retired)
18. Joel Kobert* Attorney/Managing Partner of Courter, Kobert & Cohen
19. Pierson G. Mapes President, NBC (Retired)
20. Abigail B. Mason* Director of Investments, Kaspick & Company
21. Douglas McCracken DeLoitte & Touche (Retired)
22. Carolyn Meyers President, Norfolk State University
23. Martha Rainville Senior Counselor, Dept. of Homeland Security, FEMA
24. Stephen T. Rippe Executive VP & COO/Protestant Episcopal Cathedral
25. Richard W. Schneider* President/Norwich University
26. Gordon R. Sullivan* General, USA (Ret.) President, Assoc. of US Army

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| 27. | Gary Terry | Westport Worldwide, an HRH Company |
| 28. | Mark Thompson | CEO & President, Boston Private Bank & Trust Co. |
| 29. | J. Fred Weintz, Jr.* | Goldman Sachs & Co./BCRS Assoc., LLC (Retired Partner) |
| 30. | Lawrence Wesneski | Partner / ISI Partners, LLC |

* Designates member, Executive Committee

Administration

Administration and management of Norwich University are the responsibilities of the University's President. Assisting him are the University's chief administrative officers. The President and his chief administrative officers are:

Dr. Richard W. Schneider, age 62, President, was appointed President in September 1992. Dr. Schneider served as a senior administrator at Drexel University from 1986 to 1992. A retired Rear Admiral in the United States Coast Guard Reserves, Dr. Schneider became Drexel University's first Vice President for Research in 1985, a position he held through 1990. Between 1987 and 1989, he also served as Drexel University's Acting Vice President for Academic Affairs. He was promoted to Senior Vice President for Administration in 1990. Dr. Schneider left Drexel University in 1992 to become President of Norwich. During Dr. Schneider's tenure, Norwich completed two successful fund-raising campaigns that together raised over \$44.2 million. The University is engaged in a third campaign, Norwich Forever!, which thus far has raised \$38 million in pledges and contributions against a goal of \$55 million. Under his tenure, the University's endowment has grown from \$40.5 million to more than \$140 million, a 250% increase. Dr. Schneider earned his B.S. in Engineering from the Coast Guard Academy in 1968, his M.A.L.S. in Physical Sciences from Wesleyan University in 1973, and his Ph.D. in Public Policy from the University of Delaware in 1985. Dr. Schneider has more than 25 honors, appointments, and professional recognitions. He has served on numerous civic and professional organizations and continues to do so.

Judy Bailey, age 61, Executive Assistant to the President, joined Norwich in October of 1980 in the Office of the President and has served the last three presidents. Prior to moving to Vermont in 1980, she was a sales/marketing representative for Teleflex, Inc., producing engineered fluorocarbon products, as subcontractor to the defense, aerospace and medical industries.

Dr. Michael Kelley, age 55, Commandant and Vice President for Student Affairs, joined Norwich in August 2003. Prior to 2005, he taught Engineering at the United States Military Academy at West Point. Dr. Kelly earned his B.S. in Civil Engineering from Norwich in 1974 and his Ph.D. in Environmental Engineering from Rensselaer Polytechnic Institute in 1995. He holds a Professional Engineer's license from the Commonwealth of Virginia.

David Magida, age 50, Chief Administrative Officer, was appointed to this position in September 1993. He joined Norwich in 1986 as Director of Facilities with Facilities Resource Management. In July 1991, he became Director of Facilities. Mr. Magida has been responsible for all planning, construction, renovation, and maintenance of Norwich's facilities since his appointment. During this time he has overseen more than 55 major renovation and construction projects, all of which were completed on schedule and on budget. In addition, the Department of Human Resources reports to him. He received his B.A. in Environmental Economics from Middlebury College in 1979.

Karen McGrath, age 45, Dean of Enrollment Management, was appointed in 1999 after serving as Director of Student Financial Planning since 1993. She is responsible for recruiting, admissions, and financial aid and for assuring the sufficiency in number and desirable mix of incoming Corps and civilian students. Recently, she assumed oversight of the Office of Public Affairs and the University's institutional branding effort. Ms. McGrath received her B.S. in Chemistry in 1984 and M.Ed. in Higher Education and Student Affairs Administration in 1988, both from the University of Vermont.

Dr. Richard E. Rebmann, age 65, Chief Financial Officer and Treasurer, joined Norwich in 1989 and served as Associate Professor of Liberal Studies for Business Administration at Vermont College. He was appointed Chief Financial Officer in November 1997 and Treasurer in January 1998. Dr. Rebmann oversees an annual budget of approximately \$60 million and is responsible for the University's fiscal management, including financial oversight of its ongoing construction programs. He received his B.A. in Humanities from Canisius College in 1967; M.A. and M.A.L.S. from Wesleyan University in 1976 and 1981, respectively; his M.B.A. from Clarkson University in 1994; and his Ed.D. in Leadership and Policy Studies from the University of Vermont in 2005.

Philip Susmann, age 48, Vice President for Technology and Strategic Partnerships, joined the President's cabinet in September 1994 as the University's Chief Information Officer. He joined Norwich in 1987 as an Instructor of Computer Information Systems and was promoted to Associate Professor in 1993. In his current role, Mr. Susmann is responsible for Information Technology, including academic and administrative computing, technology infrastructure, and telecommunications. In addition, he is responsible for establishing partnerships between Norwich University and government and corporate entities to enhance research opportunities for Norwich's faculty and internship prospects for its students. He is also President of the Center for the Study of Counter-Terrorism and CyberCrime at Norwich University. Mr. Susmann received his B.S. in Business Administration from Norwich in 1981 and his M.B.A. from Clarkson University in 1983.

David J. Whaley, age 53, Vice President for Institutional Advancement, came to Norwich in 1981 to serve as its Director of Alumni Relations. He assumed his current role in 1998. In 2001, the Board appointed him Secretary. He supervises a 25-person staff and is responsible for institutional development and alumni relations. Mr. Whaley led Norwich to a successful Leadership Campaign, 1996-2001, during which the University achieved \$28.9 million in cash and pledges against a goal of \$25 million. He is responsible for the success of Norwich Forever!, the University's current \$55 million campaign. He earned his B.S. in Business Administration from Norwich University in 1976 and his M.S. in Sports Management from the University of Massachusetts, Amherst in 1978.

Bjong Wolf Yeigh, age 43, Vice President for Academic Affairs and Dean of the Faculty, joined Norwich on July 1, 2006 and is responsible for providing leadership to all academic and academic support programs. He came to Norwich from Saint Louis University where he was a tenured faculty member and Dean of Engineering. At Norwich, in addition to being VPAA/Dean, Dr. Yeigh is a tenured professor in a joint appointment with the Mechanical Engineering Department and the Division of Business and Management. Prior to Saint Louis University, Dr. Yeigh held the post of Assistant Provost for Science and Technology at Yale University, where he managed and oversaw academic facilities, research, budget, and faculty programs in the natural and social sciences. He received his B.A. in Engineering Science from Dartmouth College, his M.S. in Mechanical Engineering from Stanford University, and his M.A. and Ph.D. in Civil Engineering and Operations Research from Princeton University.

Conflict Of Interest

Norwich has a conflict of interest policy ("Policy") that applies to Norwich's Board members and the University's officers. Further, the Policy is intended to guide all persons the University employs, regardless of position. The Policy recognizes that Board members, officers, and staff serve a public-interest role and, thus, must conduct all affairs of the institution in a manner consistent with this policy. It informs employees that they should act at all times in a manner consistent with their fiduciary responsibilities to the University and should exercise particular care that no detriment to the University would result from conflicts between their interests and those of the University. All decisions by the Board and the officers are to be made solely on the basis of a desire to promote the best interests of the University and the public. The Policy also establishes standards for conduct and disclosure.

Accreditation

Norwich is accredited by the New England Association of Schools and Colleges ("NEASC"). The Bachelor of Science nursing program is accredited by the National League for Nursing Accrediting Commission, Inc. ("NLNAC") and is approved by the Vermont State Board of Nursing ("VSBN"). The civil, electrical, and mechanical engineering curricula are accredited by the Engineering Accreditation Commission ("EAC") of the Accreditation Board for Engineering and Technology ("ABET"). Also, the University is a member of the American Society for Engineering Education. The architecture program is accredited by the National Architecture Accreditation Board ("NAAB"). The programs offered by the Division of Business and Management are accredited

by the Association of Collegiate Business Schools and Programs (“ACBSP”). The Commission of Allied Health Education Programs (“CAAHEP”) has accredited Norwich’s Athletic Training Education Program.

The University is a member of the National Association of Independent Colleges and Universities, the College Entrance Examination Board, the American College Testing Service, the National Commission on Accreditation, the American Society for Engineering Education, the Vermont Higher Education Council, the Association of Vermont Independent Colleges, the Association of Military Colleges and Schools of the United States, and the Association of Naval ROTC Colleges.

Strategic Plan (“NU 2019”)

NU 2019, the University’s strategic plan, was designed to coincide with Norwich’s Bicentennial celebration. The plan’s slogan is *“Building on our past ... strengthening our future.”* NU 2019 identifies four “points of need”: civilian housing, dining, infrastructure, and academics. Further, the strategic plan sets forth three primary goals: (1) achieve academic and student life vision; (2) improve Norwich’s national brand; and (3) build a balanced statement of activities. NU 2019 anticipates that by 2019, the on-campus student population will increase to approximately 2,200 residential students (from approximately 1582 today) and the commuter population will decline to 150 to 200 commuting students (from 380 today).

An internal and external analysis was conducted to frame the competitive challenges the University faces and to identify trends in higher education that may impact its competitiveness. Then, a clarified definition of its identity provided a 2019 end-state characterization of the University and gave broad goals and measures by which to gauge progress toward desired NU2019 outcomes. Norwich is and will continue to be a university with rigorous programs in the Liberal Arts, Sciences, and Professional studies and with a commitment to developing students into moral, patriotic, efficient, and useful citizens.

To achieve its NU2019 objectives, Norwich will employ the following strategies:

1. Balance operating Statement of Activities (“SOA”) by budgeting for full depreciation, implementing significant price increases, cutting administrative and academic costs, and growing online graduate programs to increase net tuition revenue.
2. Dedicate a significant portion of the next fundraising campaign to national exposure and increased perceived value in order to sustain tuition increases, improve student quality, and enhance fund raising results.
3. Continue to improve the academic quality of incoming students in order to improve retention and reputation.
4. Balance future classes by academic interest in order to better utilize limited faculty and academic spaces.
5. Focus on measuring and improving the student outcomes of all curricular and co-curricular activities as required by NEASC.
6. Reduce constraints on student enrollments by continuously investigating the need for new dormitories and constructing them when prudent to do so.

These strategies support Norwich’s three primary strategic goals. Aggressive attempts to improve academic quality and build brand will generate a better and more widespread overall reputation. A balanced SOA will provide the organizational stability needed to improve academics. The recently-completed Campus Center supports the NU2019 vision for enhancing student life and the sense of community at Norwich. The Campus Center includes an expanded dining facility, both to modernize it and to better size it for the University’s planned growth in residential students. This Campus Center is a central component of the University’s NU2019 strategic plan.

Location, Buildings, And Facilities

Norwich is located in Northfield Village, a community of approximately 5,700 persons situated in Central Vermont, in a narrow valley between two ranges of Vermont's Green Mountains. Northfield is approximately 12 miles south of Montpelier, the state's capital and 50 miles south of Burlington, Vermont's largest city. The University's 1,230 acres comprise both valley and mountainside terrain, a setting that provides students with extensive recreational and training opportunities. The campus occupies approximately 360 acres and features 51 buildings, including academic and administrative buildings, residence halls, a library, a student center, a field house, a gymnasium, an armory, and a museum (under construction and scheduled for completion in fall 2006). Approximately 750 acres of undeveloped land adjoin the campus. Approximately 80% of Norwich's full-time traditional students live on campus.

In recent years, the University has enhanced its facilities. Among the most recent additions to the campus – and the lead building in the NU 2019 campaign—is the 1,600-square-foot Sullivan Museum and History Center, completed in 2006 at a cost of about \$5.5 million and funded through contributions and operating funds. Additionally, the University completed the Kreitzberg Library Garrison Special Collection, which includes rare books and primary one-of-a-kind source materials concerning military history. In 2003, Norwich added 80 beds to its Crawford Hall dormitory, and in 2005, the University completed its renovation of the Alumni Hall dormitory using bond proceeds. In addition, the University upgrades and refreshes its dormitories annually by drawing on its operating funds.

The Norwich campus features several residential housing areas. The Upper Parade has eight residence halls and cadet barracks built around a parade ground, which is the site of fall and spring outdoor parades and ceremonies. Currently, six halls are barracks for the Corps of Cadets, one hall is utilized by both populations and one is dedicated to residential civilian students. Currently, Norwich provides approximately 1,600 residential beds. The current project, an approximately 280-bed residence hall, will be completed in large part with the proceeds of the Series 2008 Bonds, as more fully detailed below in “DESCRIPTION OF THE STUDENT HOUSING PROJECT.”

Additionally, in 2001 Norwich entered a land lease contract with the U.S. Department of the Army under which the federal government leased approximately five acres of land from Norwich for 40 years. The lease stipulates that upon its termination, all structures built on the leased premises become the University's property. Subsequent to the Army's entering this land lease agreement, the Vermont National Guard constructed a state-of-the-art armory on the site. Although the National Guard Armory is used primarily for National Guard purposes, the Guard and Norwich have agreed to work together on recruiting, training, and education programs that benefit both Norwich students and National Guard members.

Norwich recently reconfigured its campus when it completed its new Wise Campus Center that serves as the campus's student hub. The University designed the Wise Campus Center to accommodate projected needs under NU 2019.

Norwich reported property, plant and equipment balances of \$74,902 million and \$55,894 million at May 31, 2007 and 2006, respectively, as identified in the following chart:

Property, Plant And Equipment (\$000)		
	<u>2006</u>	<u>2007</u>
Land	\$972	\$987
Land improvements	2,603	2,961
Buildings	69,439	75,622
Vehicles	453	543
Personal property	<u>5,547</u>	<u>6,228</u>
	79,014	86,341
Less accumulated depreciation	<u>32,757</u>	<u>35,982</u>
	46,257	50,359
Construction in progress	<u>9,637</u>	<u>24,543</u>
	\$55,894	\$74,902

Depreciation expense charged to operations was \$3.527 million and \$3.563 million in 2007 and 2006, respectively. As of June 1, 2005, the University adopted the provisions of FASB Interpretation No. 47 to account for conditional asset retirement obligations. In accordance with this standard, Norwich determined what its obligations were, when the obligations occurred and when the obligations were likely to be remediated. In accordance with the standard, the University recorded a \$533,000 adjustment for the cumulative effect of previously unrecorded asbestos insulation abatement in ceilings and floors.

Description Of The Student Housing Project

Norwich plans to continue balancing the two populations the University supports — Corps and civilian. The University's architect has worked with its master plan committee and deans to establish impact points for adding a limited amount of additional students to campus, as well as shifting commuter student population to residential student population. The master plan defines three phases of civilian housing, resulting in an ultimate build-out of 750 beds. Phase one is approximately 280 beds and will be constructed in large part with a portion of the Series 2008 Bond proceeds.

Phase one of the housing aligns with path systems of the campus's Upper Parade. The master plan also identifies a potential project of a bridge that links the elevation of the Upper Parade to that of the civilian housing. This accomplishes several things: separates pedestrian and automobile traffic, eliminates the requirement to walk down and back up the topography, and provides a disability-accessible means of traversing from the civilian housing to the main campus, notably the Wise Campus Center.

Phase one will comprise a new dormitory of approximately 76,082 gross square feet and will have 71 single occupancy rooms, 102 double occupancy rooms, 9 Resident Advisor rooms (single occupancy) with private bathrooms for a total of 284 total beds. The facility also includes ten quiet study lounges, five central lounges, and an exercise room.

Faculty And Staff

The following table describes the composition of Norwich's faculty and staff as of the fall of 2007. Approximately 53% of Norwich's 122 full-time faculty members are tenured and 73% have terminal degrees.

<u>Faculty: Fall Headcount</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Professors	49	47	40
Associate Professors	26	29	29
Assistant Professors	29	26	29
Instructors	4	1	2
Total full-time faculty	124	132	122
Percent tenured	52	53	53
Percent terminal degrees	70	69	73
Total part-time faculty	138	164	189
<u>Staff: Fall Headcount</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Full-time	292	301	331
Part-time	86	84	74
Total staff	378	385	405
Total University employees	640	680	716

While the University's faculty-to-student ratio for the current academic year varies by division, the average ratio was 1:16. The average class size was 17 and for laboratories, 14. The University out-sources several administrative functions including food service, bookstore, student health, and mail service, as well as recruiting and admissions work for its on-line graduate programs.

Employee Relations And Pension Plan

The administration believes that employee relations at Norwich are strong. No employee collective bargaining units exist. Employees are not unionized and they have never engaged in strikes or work stoppages. The University strives to initiate and maintain good employee communications and respond to employees' needs. The University has a defined contribution plan for all employees. Each employee qualifies for participation after one year of employment. The University contributes one percent of an employee's base salary and an additional 6.5% if the employee contributes five percent. The University participates in contributory retirement plans administered by the Teachers Insurance Annuity Association of America ("TIAA") and College Retirement Equities Fund ("CREF"). The University accrues and pays the costs of these defined contribution plans currently. The total amounts charged to operations were \$1.317 million and \$1.259 million in fiscal years 2007 and 2006, respectively. The University complies with the Employee Retirement Income Security Act of 1974 ("ERISA"), and the Internal Revenue Service has qualified the plan fully. The University does not have any unfunded past liabilities.

Composition Of The Student Body

During fall of the 2007-08 academic year, on the first day of class, Norwich enrolled 2,866 full-time equivalent students, of which 2,000 full-time equivalents were undergraduates, 56.2% of whom (1,123) were enrolled in the Corps of Cadets. The 11 masters programs (one residential, 10 online) enrolled 866 full-time equivalent students. Approximately 21% of the enrolled undergraduate students come from Vermont, 55% from the other Northeastern states, 23% from other states, and one percent from foreign countries. The following enrollments include undergraduate students, residential graduate students and students in the University's on-line graduate programs. All enrollment numbers are as of the first day of class in the respective fall semesters. Data for graduate programs is partial because of a difference in undergraduate and graduate program enrollment dates.

Academic Year	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Undergraduate Programs	1,844	1,936	1,885	1,957	1,999
Graduate Programs*	373	613	745	1,331	1,764
Total Enrollment-Headcount	2,258	2,579	2,681	3,318	3,792
Total Enrollment-Fulltime Equivalent	2,214	2,537	2,644	3,287	3,763

* Both residential and online graduate programs

Student Life

The University provides a wide range of opportunities for students to develop outside the classroom. Students participate fully in the academic, extracurricular, and athletic programs offered. Norwich funds approximately 80 clubs and numerous student organizations, including a student newspaper and radio station. Norwich supports 18 NCAA Division III athletic teams as well as junior varsity teams, club sports, and intramural sports. Norwich's men's ice hockey team won the NCAA Division III title in 2000 and 2003 and has been to six "Frozen Four" national championship tournaments. Norwich's women's ice hockey team began its inaugural season in October 2007.

The University stresses to all students the importance of leadership training, the development of good character, respect for law, and the acceptance of responsibility in civic, military, and personal endeavors. The Corps of Cadets, a self-governing student organization, illustrates the University's message. The cadet's disciplined lifestyle affords the cadets extraordinary opportunities for developing leadership qualities. All cadets must enroll in one of the three ROTC units in their first three years.

All Norwich students must abide by the University's Honor Code (the "Code"). The Code states that a cadet will not lie, cheat, steal, or tolerate those who do. To violate the Code, the accused student must have lied, cheated, stolen, attempted to do so, or tolerated such action on the part of another student. The honor offenses of lying, cheating, and stealing involve acts accompanied by a specific intent to achieve a particular wrongful purpose as defined for each offense.

In addition, the University does not permit alcoholic beverages on campus. Students who violate Norwich's no-alcohol policy are subject to strict punishment that may include expulsion from the University. The University does not tolerate illegal drug use.

Undergraduate Academic Programs

Norwich University offers majors in the following academic areas: Architecture, Biochemistry, Biology, Chemistry, Civil & Environmental Engineering, Communications, Computer Engineering, Computer Science, Computer Security & Information Assurance, Criminal Justice, Electrical Engineering, Engineering Management, English, Environmental Science, Geology, History, International Studies, Management, Mathematics, Mechanical Engineering, Nursing, Physical Education, Physics, Political Science, Psychology, Sports Medicine and Studies in War and Peace.

Undergraduate Enrollment

Undergraduate applications, new and transfer student enrollments, and average Scholastic Aptitude Test scores generally have increased over recent years. Applications over the five most recent academic years increased to 2,941, or by more than 30%, from 2003-04. Concurrently, Scholastic Aptitude Test scores have increased significantly (to 1080 from 1052 over the past five academic years) and the percentage of accepted students has mostly declined, in large part due to Norwich's *You Earned It Scholarship Program*, which targets qualified graduating high school seniors. Norwich employs an active recruitment and student outreach program that includes college fairs, high school visits, regional events, and special events. These programs are national in their scope and outreach. The following table provides the data for the last five academic years:

Student Enrollment Data: 2005-2008

Academic Year	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Applications	2,280	1,981	2,248	2,941
Acceptances	1,808	1,470	1,681	1,854
Percent Accepted	81.0%	74.6%	76.0%	69.5%
Enrollment on First Day of Class	647	578	612	651
Percent Enrolled	34.5%	40.0%	36.8%	35.1%
Average Scholastic Aptitude Test Score	1055	1072	1058	1058

Undergraduate Tuition And Financial Aid

Traditional undergraduate tuition, mandatory fees, and room and board increased to \$35,097 for the 2008-09 academic year from \$26,740 in 2004-05, or by approximately 31.3%. The following table shows the trends in tuition, room, board, and fees for the five most recent academic years:

<u>Tuition and Fees:</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Tuition	\$18,600	\$20,088	\$21,696	\$23,214	\$24,722
Room and Board	7,090	7,374	7,964	8,521	9,032
Mandatory Fees	<u>1,050</u>	<u>1,050</u>	<u>1,110</u>	<u>1,213</u>	<u>1,342</u>
Total Undergraduate	\$26,740	\$28,512	\$30,770	\$32,948	\$35,097
Percent Increase	7.3%	6.6%	7.9%	7.0%	6.5%
Financial Aid (\$000)	\$14,482	\$16,157	\$18,135	N/A	N/A

During the 2007-08 academic and fiscal years, approximately 97% of students received some form of financial aid. Sources of financial aid include University grants and endowed scholarships, state and federal grants and loans, and work-study programs. The sources of University funded financial aid historically have included endowment income, gift income, and unrestricted revenues. For the current academic year, Norwich's undergraduate tuition, mandatory fees, and room and board will be \$32,948.

Total institutional financial aid is projected at approximately \$17.8 for the 2007-08 academic and fiscal years noted above. Norwich contracts with Maguire Associates, an educational consulting firm, to assist in controlling the growth of financial aid and shape the incoming class. Loans advanced during the year to students under federal programs are as follows:

<u>Federal Aid</u>	<u>2005-06</u>	<u>2006-07</u>
Federal Perkins Loan Program	\$ 1,493,368	\$ 1,685,351
Federal Family Education Loan Program – subsidized	7,261,047	12,029,586
Federal Family Education Loan Program – unsubsidized	8,343,805	8,081,854
Federal Parent Loan for Undergraduate Student (PLUS) Program	<u>3,266,921</u>	<u>3,935,454</u>
Total	\$ 20,365,141	\$ 25,732,245

<u>Norwich Aid</u>	<u>2005-06</u>	<u>2006-07</u>
Norwich U. Aid (Discount)	\$9,364,990	\$7,162,966
Norwich Scholars	<u>2,777,010</u>	<u>6,415,321</u>
Total Financial Aid	\$12,142,000	\$13,578,287

Norwich's total aid and endowed scholarships for students have grown over the last several years. So, too, has average net tuition revenue per FTE student, as can be seen in the following figures:

	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>
Avg. Net Tuition/FTE Student	\$10,454	\$11,135	\$12,110	\$12,788	\$13,627

School Of Graduate Studies

Initiated in 2001 with an investment from the Norwich endowment, the Online Graduate Program ("OGP") represents the University's foray into a suite of graduate programs and online education. Norwich has since renamed the program the School of Graduate Studies ("SGS"). From the outset, this program has been very successful.

Norwich continues to invest in its SGS to bring new online programs to market and build their requisite infrastructure.

Although tuition and fees for the SGS vary by academic program, the following are average tuition and fees by fiscal year and the fall student headcount (September count for 2003-04, October for 2004-08):

School of Graduate Studies: Online Graduate Programs

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Average Tuition	\$11,976	\$13,738	\$14,335	\$14,942	\$15,794
Fall Headcount	349	587	742	1175	1459

The following table shows Norwich's master's level programs, the number of students to whom Norwich awarded masters degrees in 2007 and each program's fall 2008 enrollment:

Total Graduate Studies: 2007 Degrees and 2008 Fall Enrollment

	<u>Degrees</u>	<u>Graduates</u>	<u>Enrollment</u>
Master of Architecture*		18	18
Master of Art		145	749
Master of Business Administration		70	235
Master of Civil Engineering		25	91
Master of Justice Administration		68	87
Master of Public Administration		0	62
Master of Science		<u>137</u>	<u>235</u>
Totals		463	1477

* The Master of Architecture is a residential program.

Capital Campaigns

The University conducts major fundraising campaigns, as well as annual fundraising and deferred giving programs. Norwich has long undertaken its own fundraising campaigns with a staff of trained professionals in its Office of Development. The University has also engaged the services of outside consultants for its fundraising campaign to help set targets and strategy.

The University considers all of its past campaigns successful. In September 1996, the University announced a \$25 million comprehensive campaign, *The Leadership Campaign*, which included two major capital projects: the Engineering, Math and Science Complex, which included a new building and the renovation of two existing buildings; and a new multi-purpose arena. On January 31, 2001, *The Leadership Campaign* concluded after having raised more than \$28 million in cash and pledges, more than 12% above the campaign's target.

Status of the 2005 Campaign: A new campaign, *Norwich Forever!*, established to coincide with the University's 200th anniversary in 2019, entered its public phase in October 2005. The campaign will seek to raise \$55 million for the following purposes:

<u>Purposes</u>	<u>Goals</u>	<u>Pledges & Receipts as of 3/31/08</u>
Student Union	\$10,000,000	\$12,654,000
Academic Program Enhancements	6,500,000	9,111,000
Museum	6,000,000	3,066,000
1819 Circle—Deferred Gifts	4,500,000	9,869,000
Scholarships	8,347,000	5,000,000
Athletic Complex	5,000,000	2,939,000
Branding	4,000,000	4,010,000
Unrestricted Operating Support	<u>14,000,000</u>	<u>7,339,000</u>
	\$55,000,000	\$67,334,000

Gifts

Norwich has a history of successful fundraising for its annual programs. Gifts, for example, have averaged over \$3 million over the past five fiscal years, while campaign pledges have averaged more than \$5.4 million annually during the same period. In fiscal year 2007, alumni gifts represented approximately 57% of total gifts and grants, while corporate/foundation gifts represented 14.5%. Unrestricted gifts of \$2,853,233 represented approximately 35% of \$8,393,000 in fiscal 2007 total gifts and grants. The following table shows gift revenue for the fiscal years 2003 through 2007:

	<u>Gifts</u>	<u>Campaign Gifts/Pledges*</u>	<u>GIFTS TOTAL</u>
FY2003	1,030,000	3,981,000	5,395,000
FY2004	1,281,000	1,444,882	3,952,000
FY2005	3,489,000	10,839,000	14,328,000
FY2006	3,458,000	4,953,000	8,411,000
FY2007	3,918,000	4,475,000	8,393,000

* Values are adjusted for future value and unreceivable pledges.

Endowment Performance

The value of the total endowment increased to approximately \$173.1 million on May 31, 2007 from approximately \$102.4 million on May 31, 2003, or by approximately 69%. At December 31, 2007, the endowment was approximately \$175.6 million. The following table shows the endowment's fiscal year-end growth from 2003 to 2007:

<u>Fiscal Year</u>	<u>Endowment (000,000)</u>
2003	\$102.4
2004	113.4
2005	133.5
2006	149.2
2007	173.1

The University's objective for the endowment is to preserve the fund's real purchasing power while providing a predictable, stable, and constant stream of support to the University's operating expenses in perpetuity.

The investment objective is to produce, over any 10-year period, a total rate of return that equals or exceeds the spending rate plus the long-term inflation rate as measured by the Consumer Price Index plus the costs of running the investment program. The spending rate has been five percent since the 2006 fiscal year budget and is anticipated to remain at that level.

The University utilizes the services of Cambridge Associates to help oversee its endowment fund. The fund is diversified among asset classes and is managed by a number of external professional investment advisory firms. No single fund manager controls more than 20% of the investments in the fund. The Investment Committee of the Board meets four times annually to select, monitor, and evaluate the managers' performance.

The University uses the units-share method of accounting for income distribution for pooled investments. The individual pooled unit value at May 31, 2007 and 2006, respectively, is \$6,054 and \$5,510. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted either by explicit donor stipulation or by law.

Asset Allocation

The Norwich endowment is divided into several asset classes. The relationships among asset classes on December 31, 2007 are detailed below:

	<u>Percentage of Portfolio</u>	<u>Market Value (\$M)</u>
U.S. Equity	29.6	52,047,599
Global ex U.S. Equity	27.4	48,018,695
Real Estate	2.8	4,933,951
Oil and Gas	1.3	2,252,505
Commodities	2.5	4,397,818
Absolute Return/Hedge Funds	8.4	14,677,575
Arbitrage	7.8	13,695,842
Private Equity/Venture Capital	4.2	7,398,879
Fixed Income	14.0	24,595,747
Cash and Cash Equivalents	<u>2.0</u>	<u>3,538,355</u>
Total Assets less Other	100.0	175,556,966

Liquidity And Spending/Rate Policy

To maintain liquidity in the endowment to assure that Norwich can meet all capital call obligations and fund the University's spending policy, which, as noted above, is five percent of the endowment's average value over the previous 12 quarters, the Board's Investment Committee reviews this portfolio at each of its quarterly meetings. The following table summarizes the endowment's liquidity at December 31, 2007:

	<u>Endowment Allocation Amount (\$Million)</u>	<u>% of Endowment</u>
<u>Liquidity</u>		
Immediate	138.0	78.6
Monthly	4.4	2.5
Quarterly	15.0	8.6
Annually: 90 days notice	5.8	3.3
Biannually: 90 days notice	3.2	1.8
Illiquid	<u>9.1</u>	<u>5.2</u>
Total Endowment	175.6	100.0

Financial Planning And Budgeting

The annual budget of the University is developed by Norwich's Budget and Finance Committee, which includes staff and faculty representatives. The budget proposal developed by this committee is then presented to the President, who in turn shares it with the Faculty Senate and Staff Council for their review and comments. After considering feedback from these two bodies, the President presents a balanced budget to the Board's Budget and Finance Committee for their evaluation at the annual meeting. If the Budget and Finance Committee approves the budget, it recommends the budget's approval to the full Board. The budget is based on a reasonable enrollment projection, the net tuition (gross tuition less financial aid) provided by this projected enrollment and other projected revenues, including support from Norwich's endowment. Operating expenses are rolled over from the current year and then adjusted to meet the anticipated needs of the subsequent year before taking the actions needed to assure a balanced budget.

Financial Statements

The University maintains its accounts in accordance with the generally accepted accounting principles in the United States applicable to private institutions of higher education. The University previously accounted for and reported its financial resources through the use of five funds: Current Funds, Loan Funds, Endowment and Similar Funds, Plant Funds, and Agency Funds, with an annual audit performed by PricewaterhouseCoopers LLP. During 1996, the University adopted Financial Accounting Standards Board Statements (SFAS) No. 116, "Accounting for Contributions Received and Made," and No. 117, "Financial Statements of Not-for-Profit Organizations."

KPMG LLP, the University's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this official statement. The following table summarizes Norwich's year-end results as they appear on the University's audited financial statements for each of the last five fiscal years ended May 31:

<u>Assets</u>	<u>FY2007</u>	<u>FY2006</u>
Cash and cash equivalents	21,162	17,065
Accounts and notes receivable	3,856	5,831
Pledges receivable	11,037	10,048
Inventory, prepaid expenses and other assets	7,717	4,771
Loans receivable	8,037	7,768
Investments	173,519	149,171
Deposits held by Trustee and restricted cash	704	5,264
Beneficial interest in perpetual trust	6,224	5,781
Land, buildings and equipment	<u>74,902</u>	<u>55,894</u>
Total Assets	<u>307,158</u>	<u>261,593</u>
<u>Liabilities and Net Assets</u>		
Accounts payable and accrued liabilities	9,498	7,760
Deferred revenue, advance payments, and discount on life income funds	6,440	5,952
Notes and bonds payable	51,675	39,412
Refundable U.S. government grants	<u>6,225</u>	<u>6,307</u>
Total Liabilities	73,838	59,431
<u>Net Assets</u>		
Unrestricted	165,431	138,383
Temporarily restricted	33,845	31,895
Permanently restricted	<u>34,044</u>	<u>31,884</u>
Total net assets	233,320	202,162
Total liabilities and net assets	<u>307,158</u>	<u>261,593</u>

<u>Operating Revenues and Other Support</u>	<u>FY2007</u>	<u>FY2006</u>
Tuition and fees	65,093	51,953
Residence, dining, and uniform sales	13,662	11,799
Less: scholarships, grants and other aid	<u>(18,135)</u>	<u>(16,157)</u>
Net tuition and fees	60,620	47,595
Federal appropriations, grants and contracts	2,259	1,875
Private contributions	3,918	3,458
Investment income used in operations	6,054	5,510
Other auxiliary services	3,303	3,269
Other income	<u>4,036</u>	<u>2,755</u>
Total revenues and other support	<u>80,190</u>	<u>64,462</u>
<u>Expenses</u>		
Instruction	22,295	18,221
Academic support	7,314	6,178
Research	659	623
Student services	18,240	14,049
Institutional support	10,962	11,902
Auxiliary enterprises	<u>13,087</u>	<u>12,041</u>
Total operating expenses	72,557	63,014
Change in net assets from operating activities	<u>7,633</u>	<u>1,448</u>
<u>Non-Operating Activity</u>		
Investment return in excess of spending plan	22,616	14,391
Campaign gifts and pledges	4,475	4,953
Change in split interest agreements and perpetual trusts	827	276
Related entity revenue	8,885	5,278
Related entity expense	(8,192)	(5,439)
Cumulative effect of asset retirement obligation	---	(553)
Loss on defeasance of debt	(2,861)	---
Other expenses	<u>(2,225)</u>	<u>(1,692)</u>
Change in net assets from non-operating activities	<u>23,525</u>	<u>17,214</u>
Total change in net assets	<u>31,158</u>	<u>18,662</u>
Net assets at beginning of year	<u>202,162</u>	<u>183,500</u>
Net assets at end of year	<u>233,320</u>	<u>202,162</u>

Management's Analysis Of Recent Operating And Financial Condition

Management forecasts that at fiscal year-end 2008, Norwich University will have another year of positive operating results. Both its undergraduate and graduate programs continue to experience strong enrollment that is in line with the University's 2008 budget, and pledges to its capital campaign are ahead of schedule. Norwich's endowment is experiencing market volatility along with other participants in the equity markets, but there is currently no reason to forecast a loss of value sufficient by itself to result in a negative growth in net assets for fiscal year 2008. The University is in a negative swap position with its swap counterparty, but its position at fiscal year-end will not be known until then. A recent program review by the U. S. Department of Education found some student loan awards that were not in compliance with DOE regulations, but this situation is being rectified and is not expected to have a material effect on operating performance.

Anticipated Future Capital Needs And Borrowing Plans

Currently, Norwich does not have plans for construction beyond the student residence project.

Insurance And Risk Management

The University obtains risk management services from Hackett Valine & MacDonald, Inc. ("HVM") and maintains comprehensive coverage for all significant insurable risks. Property insurance is provided on a blanket

basis at replacement cost. General liability and automobile coverage are maintained in conjunction with a \$40 million commercial umbrella policy, which supplements underlying coverages. In addition, the University maintains directors and officers errors and omissions coverage with a \$10 million limit, as well as workers compensation and other miscellaneous insurance. The University also conducts an active loss prevention program in which it seeks to minimize risk and control insurance costs. HVM also provides extensive risk management services and attends meetings of the Norwich Safety Committee.

Litigation

There are no controversies or litigation of any nature now pending or threatened which, in the aggregate, if resulting in unfavorable decisions, would likely have a material adverse effect on the University's financial condition.

Other Debt Of The University

Simultaneously with the issuance of the Bonds, the University entered into a Loan Agreement with RBS Citizens, National Association ("RBS Citizens") pursuant to which RBS Citizens has established a revolving line of credit for the University in the amount of \$2,000,000 (the "Line of Credit"). The University's obligations under the Line of Credit are secured on a parity basis with the University's obligations under the Reimbursement Agreement by a security interest in the University's Gross Receipts and a negative pledge on its real property. See "APPENDIX G - Summary of Certain Provisions of the Reimbursement Agreement" for a discussion of the Reimbursement Agreement.

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APPENDIX C

Financial Statements of the University for the Fiscal Year Ended May 31, 2007

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NORWICH UNIVERSITY

Consolidated Financial Statements

May 31, 2007

(With Independent Auditors' Report Thereon)



KPMG LLP

P.O. Box 564
Burlington, VT 05402

Suite 400
356 Mountain View Drive
Colchester, VT 05446

Independent Auditors' Report

The Board of Trustees of
Norwich University:

We have audited the accompanying consolidated statement of financial position of Norwich University (the University) as of May 31, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2006 financial statements and, in our report dated October 16, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Norwich University as of May 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

October 2, 2007

NORWICH UNIVERSITY

Consolidated Statements of Financial Position

May 31, 2007

(With comparative information as of May 31, 2006)

(In thousands)

Assets	2007	2006
Cash and cash equivalents (note 1)	\$ 21,162	17,065
Accounts and notes receivable, net (notes 11 and 14)	3,856	5,831
Contributions receivable, net (note 6)	11,037	10,048
Inventory, prepaid expenses, and other assets	7,717	4,771
Loans receivable, net (note 11)	8,037	7,768
Investments (note 2)	173,519	149,171
Beneficial interest in perpetual trust	6,224	5,781
Deposits held by Trustee and restricted cash (note 4)	704	5,264
Land, buildings, and equipment, net (notes 3 and 4)	74,902	55,894
Total assets	\$ 307,158	261,593
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 9,498	7,760
Deferred revenue, advance payments, and annuity and life income obligations	6,440	5,952
Notes and bonds payable (note 4)	51,675	39,412
Refundable U.S. government grants (note 10)	6,225	6,307
Total liabilities	73,838	59,431
Commitments and contingencies (note 12)		
Net assets:		
Unrestricted	165,431	138,383
Temporarily restricted (note 7)	33,845	31,895
Permanently restricted (note 7)	34,044	31,884
Total net assets	233,320	202,162
Total liabilities and net assets	\$ 307,158	261,593

See accompanying notes to consolidated financial statements.

NORWICH UNIVERSITY
Consolidated Statement of Activities
Year ended May 31, 2007
(With comparative summarized information for the year ended May 31, 2006)
(In thousands)

	Unrestricted	Temporarily restricted	Permanently restricted	Total 2007	Total 2006
Operating revenues and other support:					
Tuition and fees	\$ 65,093	—	—	65,093	51,953
Residence and dining	12,142	—	—	12,142	10,781
Uniform sales	1,520	—	—	1,520	1,018
Less scholarship, grants, and other aid	(18,135)	—	—	(18,135)	(16,157)
Net tuition and fees	60,620	—	—	60,620	47,595
Federal appropriations, grants, and contracts	2,257	2	—	2,259	1,875
Private contributions	3,615	303	—	3,918	3,458
Investment income used in operations (note 2)	5,547	507	—	6,054	5,510
Other auxiliary services	3,303	—	—	3,303	3,269
Other income	4,036	—	—	4,036	2,755
Total revenues and other support	79,378	812	—	80,190	64,462
Net assets released from restrictions (note 8)	1,080	(1,080)	—	—	—
Total revenues and other support and net assets released from restrictions	80,458	(268)	—	80,190	64,462
Operating expenses:					
Instruction	22,295	—	—	22,295	18,221
Academic support	7,314	—	—	7,314	6,178
Research	659	—	—	659	623
Student services	18,240	—	—	18,240	14,049
Institutional support	10,962	—	—	10,962	11,902
Auxiliary enterprises	13,087	—	—	13,087	12,041
Total expenditures	72,557	—	—	72,557	63,014
Change in net assets from operating activities	7,901	(268)	—	7,633	1,448
Nonoperating activities:					
Investment return in excess of spending plan (note 2)	21,615	1,001	—	22,616	14,391
Campaign gifts and pledges	100	2,784	1,591	4,475	4,953
Change in split interest agreements	2	368	14	384	212
Change in perpetual trust	—	—	443	443	64
Related entity revenue (note 15)	8,885	—	—	8,885	5,278
Related entity expense (note 15)	(8,192)	—	—	(8,192)	(5,439)
Clarification of donor intent	67	(179)	112	—	—
Cumulative effect of asset retirement obligation (note 3)	—	—	—	—	(553)
Loss on defeasance of debt (note 4)	(2,861)	—	—	(2,861)	—
Other expenses	(2,225)	—	—	(2,225)	(1,692)
Net assets released from restrictions (note 8)	1,756	(1,756)	—	—	—
Change in net assets from nonoperating activities	19,147	2,218	2,160	23,525	17,214
Change in net assets	27,048	1,950	2,160	31,158	18,662
Net assets at beginning of year	138,383	31,895	31,884	202,162	183,500
Net assets at end of year	\$ 165,431	33,845	34,044	233,320	202,162

See accompanying notes to consolidated financial statements.

NORWICH UNIVERSITY

Consolidated Statements of Cash Flows

Year ended May 31, 2007

(With comparative information for the year ended May 31, 2006)

(In thousands)

	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 31,158	18,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,579	3,679
Net realized and unrealized gains on investments	(25,807)	(16,594)
Loss on disposal of assets	350	36
Contributions restricted for endowment	(1,591)	(1,095)
Loss on defeasance of bonds	2,861	
Contributions restricted for plant	(2,884)	(3,858)
Changes in operating assets	(1,416)	(2,170)
Change in operating liabilities	(730)	3,124
Net cash provided by operating activities	5,520	1,784
Cash flows from investing activities:		
Purchase of investments	(16,160)	(15,860)
Proceeds from sale and maturity of investments	17,619	16,818
Change in student loans receivable, net	(269)	137
Increase in restricted assets	401	(50)
Decrease in other loans/receivables	174	186
Acquisition of land, buildings and equipment	(19,930)	(11,942)
Net cash used in investing activities	(18,165)	(10,711)
Cash flows from financing activities:		
Change in refundable U.S. government advances	(82)	(26)
Contributions restricted for endowment	1,591	1,095
Contributions restricted for plant	2,884	3,858
Cash released by bond trustee	4,159	4,214
Proceeds from the issuance of long-term debt	51,675	—
Debt retirement	(40,045)	—
Bond issuance costs	(1,698)	—
Debt repayment	(1,742)	(803)
Net cash provided by financing activities	16,742	8,338
Net increase (decrease) in cash and cash equivalents	4,097	(589)
Cash and cash equivalents at beginning of year	17,065	17,654
Cash and cash equivalents at end of year	\$ 21,162	17,065
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	\$ 2,670	2,091

See accompanying notes to consolidated financial statements.

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

(1) Nature of Operations and Significant Accounting Policies

(a) *Nature of Operations*

Norwich University is a private co-educational institute of post-secondary education. In addition to offering 32 undergraduate degree programs, the University offers an on-line masters degree in ten programs, and a residential masters in architecture.

(b) *Basis of Presentation*

External financial reporting for not-for-profit organizations includes three basic financial statements and the classification of resources into net assets based on the existence or absence of donor-imposed restrictions. The University records unconditional promises to give (pledges) as receivables and revenue and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. In the accompanying financial statements, net asset categories are as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the board of trustees or management. The State of Vermont has adopted the Uniform Management of Institutional Funds Act. This category also includes realized and unrealized gains and losses on donor restricted endowment funds that have not been restricted as to use by the donor.

Temporarily Restricted – Net assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the University pursuant to those stipulations.

Permanently Restricted – Net assets which are restricted by the donor that the corpus be invested in perpetuity and only the income be made available for stipulated purposes.

Expenses are reported as decreases in unrestricted net assets. Donor restricted gifts that are received and spent within the same operating cycle are reported as unrestricted revenues. When a donor restriction expires because the time or purpose stipulation has been met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets are reported as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents are recorded at market value. These funds are available for current operating needs and include interest-bearing cash accounts, money market accounts, mutual funds, and certificates of deposit with original maturities of three months or less. As of May 31, 2007 and 2006, cash and cash equivalents includes \$7,910 and \$10,137, respectively, earmarked for the capital campaign through either donor restriction or internal designation.

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

(d) Deposits Held by Trustee and Restricted Cash

Restricted cash consists of amounts deposited to satisfy debt service requirements and certain covenants with the trustee.

(e) Investments

Investments are reported at their respective fair values. The values of publicly traded fixed income and equity securities are based upon quoted market prices. Investments in units of nonpublicly traded pooled funds are valued at the unit value determined by the fund's administrator based on quoted market prices of the underlying investments. Private equities and certain nonmarketable securities are valued using current estimates of fair value by management based on information provided by the general partner or investment manager for the respective funds.

University management is responsible for the fair measurement of investments reported in the financial statements. The University has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the investment manager or general partner may differ from the values that would have been used had a ready market existed, and the differences could be significant. The agreements underlying participation in nonmarketable investment funds may limit the University's ability to liquidate its interest in such investments for a period of time. The University believes that the reported fair values of its nonmarketable securities at the balance sheet date are reasonable.

(f) Endowment

Endowment funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized. While board-designated funds have been established by the governing board for the same purposes as endowment funds, any portion of board-designated funds may be expended.

The Board of Trustees has adopted a spending policy whereby the University utilizes 5.0% for each of the years ended May 31, 2007 and 2006, of the product of the average pooled unit value for the 12 prior quarters ending December 31 and the number of pooled units on hand at December 31. During the years ended May 31, 2007 and 2006, \$6,054 and \$5,510, respectively, was distributed.

Temporarily restricted term endowment funds consist of a single gift which, based on the donor's stated intent, becomes unrestricted in fiscal year 2014. Until such time, the principal may not be spent, and the income earned is restricted to fund scholarships.

(g) Split-Interest Agreements

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities, pooled income funds, and charitable remainder trusts held and administered by others. For annuity contracts, the contributed assets are included as part of prepaid and other assets at fair value. Charitable gift annuity assets as of May 31, 2007 and 2006 were \$2,629 and \$1,725, respectively. Contribution revenues are recognized as of the date the donated assets are transferred to the University and liabilities are recorded for the present value of the estimated future payments to the

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

donors and/or other beneficiaries. The liabilities are adjusted during the term of the annuities consistent with changes in actuarial assumptions.

Pooled income funds are contributions of many donors' life income gifts and are pooled and invested as a group. The value of pooled income funds was \$457 and \$480 at May 31, 2007 and 2006, respectively. Donors receive periodic income distributions based on their proportion of the total investment as determined by units assigned at the date of the donor's entry into the pooled fund. Upon the beneficiary's death, the title of their beneficial interest in the investment pool is transferred in its entirety to the University.

For charitable remainder trusts held and administered by others the present values of the estimated future cash receipts from the trusts are recognized as contributions receivable, and contribution revenues as of the dates the trusts are established. Distributions from these trusts are recorded as contributions and the carrying value of the assets is adjusted for changes in the estimates of future receipts. The University uses discount rates ranging from 4.125% to 7.0% as established upon receipt of the trust to determine the present value of the estimated future cash receipts. The trusts were valued at \$1,691 and \$1,256 at May 31, 2007 and 2006, respectively.

(h) Beneficial Interest in Perpetual Trust

At May 31, 2007 and 2006, respectively, funds held in trust of \$6,224 and \$5,781 consist of resources neither in the possession nor under the control of the University and administered by outside trustees, with Norwich deriving income from the assets of such fund. This amount is recognized at the University's portion of the market value of the underlying investments.

(i) Property and Equipment

Land, land improvements, buildings, computers, and instructional equipment, and certain transportation vehicles are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts, less accumulated depreciation. Personal equipment, including instructional equipment, furniture, and transportation vehicles are being depreciated on the straight-line method over a five-year useful life. Buildings and improvements are being depreciated on the straight-line method over the remaining estimated useful lives of the buildings which run from twenty to fifty years. The cost and related accumulated depreciation of all plant and equipment retired or otherwise disposed of are removed from the accounts. Any gain or loss is included in income. Maintenance and repair costs are charged to expense as incurred, and significant leasehold improvements are capitalized.

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred, in accordance with Statement of Financial Accounting Standards (SFAS) No. 143 and Interpretation No. 47 (FIN 47), if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

retirement obligation and the liability recorded is recognized as a gain or loss in the statement of operations.

(j) Inventory

Inventories are valued on the first-in, first-out (lower of cost or market) basis but not in excess of net realizable value.

(k) Other Assets

Other assets consist of debt issuance costs that are being amortized using the effective interest rate method over the life of the bonds which is 30 years.

(l) Contributions

Contributions received, including unconditional promises, are recognized as revenues when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances. The discount rate utilized is the U.S. Treasury note rate commensurate with the life and date of the pledge. Conditional promises are recorded when donor stipulations are met. There were no outstanding conditional promises as of May 31, 2007 or 2006.

(m) Fundraising Expense

Fundraising expense was \$1,780 and \$1,623 for the years ended May 31, 2007 and 2006, respectively, and is classified as nonoperating and other expenses in the accompanying statement of activities.

(n) Gifts

The University records items of collections, which are received for educational purposes and generally displayed throughout the University, as a gift at nominal value. These gifts are not disposed of for financial gain or otherwise encumbered in any manner.

(o) Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be invested by the University to generate a return that will support future operations, contributions to be received in the future, contributions to be used for facilities and equipment and investment return beyond what the University has appropriated for current operational support in accordance with the University's investment return spending guidelines.

Nonoperating activities also include the revenues and expenses of Norwich University Applied Research Institutes (a related entity).

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

(p) Use of Estimates

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

(q) Income Taxes

The University is a not-for-profit corporation as described in Section 501(c)(3) of the U.S. Internal Revenue Code and is generally exempt from federal income tax under Section 501(a) of the Code.

(r) Principles of Consolidation

The financial statements of Norwich University include the net assets and operations of Norwich University Applied Research Institutes (NUARI), a nonprofit, tax-exempt corporation whose purpose is to provide research and development of technologies targeting national defense preparedness and response. Certain members of NUARI's board of directors are employed by or affiliated with the University, which provides NUARI with telecommunication services and equipment rentals. All transactions with the University are within the ordinary course of business and are considered by management to have been conducted on an arms-length basis. The net amount due from/(to) NUARI as of May 31, 2007 and 2006 is (\$17) and \$150, respectively. For additional information about NUARI refer to footnote 15.

(s) Museum Collections

The University's collections are made up of artifacts of historical significance, scientific specimens and art objects that are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously.

The University's collections, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements.

(2) Investments

The University uses the unit share method of accounting for income distribution for pooled investments. The individual pooled unit value as of May 31, 2007 and 2006 is \$4.632 and \$4.029, respectively. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

The return on investments for the years ended May 31, 2007 and 2006 was as follows:

2007			
	Unrestricted	Temporarily restricted	Total
Dividends and interest	\$ 3,730	108	3,838
Net realized and unrealized gains	24,407	1,400	25,807
Less management investment fees	(975)	—	(975)
Total return on endowment investments	27,162	1,508	28,670
Less investment return designated for current operations	(5,547)	(507)	(6,054)
Excess of investment return over amounts distributed for current operations	\$ 21,615	1,001	22,616
2006			
	Unrestricted	Temporarily restricted	Total
Dividends and interest	\$ 3,976	86	4,062
Net realized and unrealized gains	15,902	692	16,594
Less management investment fees	(755)	—	(755)
Total return on endowment investments	19,123	778	19,901
Less investment return designated for current operations	(5,042)	(468)	(5,510)
Excess of investment return over amounts distributed for current operations	\$ 14,081	310	14,391

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

Investments at May 31 consisted of the following types:

	2007	2006
Cash and cash equivalents	\$ 4,370	8,813
Equity securities	93,134	91,390
Debt securities	22,980	19,119
Investments in limited partnerships	42,074	20,324
Investments in real estate	4,837	3,841
Oil and gas	2,003	1,809
Commodities	3,941	3,695
Other investments	180	180
	<u>\$ 173,519</u>	<u>149,171</u>

Included in the above table of investments are \$55,561 of investments whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

(3) Property, Plant, and Equipment

Property, plant, and equipment balances of the University consists of the following at May 31:

	2007	2006
Land	\$ 987	972
Land improvements	2,961	2,603
Buildings	75,622	69,439
Vehicles	543	453
Personal property	6,228	5,547
	<u>86,341</u>	<u>79,014</u>
Less accumulated depreciation	<u>35,982</u>	<u>32,757</u>
	50,359	46,257
Construction in progress	24,543	9,637
	<u>\$ 74,902</u>	<u>55,894</u>

Depreciation expense charged to operations was \$3,527 and \$3,563 in 2007 and 2006, respectively.

As of June 1, 2005, the University adopted the provisions of FASB Interpretation No. 47 to account for conditional asset retirement obligations. In accordance with the standard, the University determined what its obligations were, when the obligations occurred, and when the obligations were likely to be remediated. The University undertook an analysis of its physical plant and determined that it had an aggregate conditional asset retirement obligation relating to asbestos insulation and in floor and ceiling tiles. In

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

accordance with the standard, the University has recorded a \$553 adjustment for the cumulative effect of previously unrecorded cost of abatement during the year ended May 31, 2006 as follows:

On the statement of net assets:

Capitalization of the cost of abatement in 1973 dollars, the year legislation passed requiring special treatment of asbestos removal	\$ 115
A liability estimated at the present value of the cost of compliance	579

On the statement of activities:

An adjustment for the cumulative effect of the previously unrecorded cost of abatement, adjusted for inflation	464
An adjustment for the cumulative effect of the previously unrecorded cost of depreciation for the capitalized asset and the current year depreciation expense	89

(4) Bonds and Notes Payable

At May 31, 2007 and 2006 bonds and notes payable consisted of:

	<u>2007</u>	<u>2006</u>
Bonds payable to Vermont Educational and Health Building Financing Agency (VEHBFA):		
2003 – 2% to 5.5%, due in installments to 2033, net of unamortized original issue discount of \$218 in 2006	\$ —	15,197
1998 – 4.25% to 5.5%, due in installments to 2021, net of unamortized original issue discount of \$168 in 2006	—	22,473
2006 – variable rate bonds 3.62% average rate for 2007, due in installments to 2037	<u>51,675</u>	
	<u>51,675</u>	<u>37,670</u>
Notes payable:		
3% mortgage note payable to the Department of Education of the United States Government (ED), payable in semiannual installments of \$92, including interest, through 2017	—	1,718
5% mortgage note payable, collateralized by certain land, payable in monthly installments of \$2 through May 2007	<u>—</u>	<u>24</u>
	<u>—</u>	<u>1,742</u>
Total bonds and notes payable	<u>\$ 51,675</u>	<u>39,412</u>

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

The aggregate amounts of bonds payable are due annually as follows:

	<u>Bonds payable</u>
2008	\$ 925
2009	975
2010	1,000
2011	1,050
2012	1,075
Thereafter	46,650
	<u>\$ 51,675</u>

The 2006 bonds were issued on September 1, 2006 to:

- a) Finance the construction/renovation of a 72,000 square foot Campus Center
- b) Advance refund of the VEHBFA Series 1998 bonds
- c) Advance refund of the VEHBFA Series 2003 bonds
- d) Finance the cost of issuance

Interest on the bonds will be payable weekly at prevailing auction rates. The University has entered into a financial guarantee insurance policy with MBIA to guarantee full and complete principal and interest payments to the trustee.

The bonds are secured by the pledge and assignment to the trustee, Chittenden Bank, of the security interest in the Unrestricted Gross Revenues granted by the University to the agency, VEHBFA, under the loan agreement.

Under the loan agreement the University is required to maintain compliance with certain financial covenants including:

- a) The University covenants to grant a Mortgage on the Mortgaged Property in the event that the University's adjusted unrestricted net assets fall below a certain level or the Moody's rating on the University's Long-Term Indebtedness falls below a certain threshold.
- b) The University agrees not to create nor permit to create any lien on the Mortgaged Property other than the Permitted Liens. Further the University agrees not to create further long-term indebtedness, unless certain ratios are met.
- c) The University agrees to maintain certain ratios for adjusted unrestricted net assets to outstanding long-term indebtedness and debt service to unrestricted gross revenues.

The University was in compliance with these covenants through May 31, 2007.

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

Under the trust agreement the University is required to make equal monthly payments into the "Principal Account" totaling the principal payable on September 1 of each year. The balance in the "Principal Account" at May 31, 2007 was \$704.

Trust accounts were established in 2006 to retire Series 1998 and 2003 bonds. Trust funds will be applied to outstanding principal and interest through the scheduled maturities of the bonds. Because the refunded bonds are no longer deemed to be outstanding for financial reporting purposes, neither the debt nor the irrevocable trust assets are included in the consolidated statement of financial position.

Included in the loss on defeasance of debt is the write off of unamortized bond issuance cost from the VEHBFA 2003 and 1998 bonds, the write off of the original issue discount on these bonds and the additional funds placed in escrow with the bond trustee to satisfy payment of the principal and interest of the defeased bonds.

The University has a line of credit with a bank that provides for unsecured short-term borrowings of up to \$10,000 at the Citibank prime rate minus one-half and expires May 31, 2008. As of May 31, 2007 and 2006, the line of credit had no outstanding balance.

Interest incurred on notes and bonds payable for the years ended May 31, 2007 and 2006 was \$1,972 and \$2,091, respectively. Interest expense incurred on the line of credit for the years ended May 31, 2007 and 2006 was \$1 and \$0, respectively.

Interest capitalized on construction projects amounted to \$126 in 2007.

(5) Interest Rate Swap Agreement

The University has entered into a swap agreement used in managing the interest rate risk associated with the VEHBFA series 2006 variable rate debt.

The terms of the agreement include an effective date of August 2006, a notional amount of \$51,575, and a termination date of August 27, 2036. The rate paid by the University is 3.6795% and the rate paid by the counterparty is 67% of the one-month United States Dollar-LIBOR rate.

The fair value of the interest rate swap agreement was \$61 at May 31, 2007, which is included in other assets. The change in the fair value of the swap, as determined by a third party, will be recorded as either an asset or liability at the end of each fiscal year. The change in value of the swap will be reflected in the statement of activities. If held to maturity the change in the value of the swap will net to zero.

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

(6) Contributions Receivable

The following represents contributions receivable at May 31:

	2007	2006
In one year or less	\$ 2,684	2,547
Between one year and five years	7,320	6,649
More than five years	3,955	3,696
Contributions receivable, gross	13,959	12,892
Less discount for present value	1,406	1,408
Less allowance for uncollectible contributions	1,516	1,436
Contributions receivable, net	\$ 11,037	10,048

The University uses discount rates ranging from 3.57% to 7.01% as established upon receipt of the contributions to determine the present value of contributions receivable.

The University has six charitable remainder trust agreements with donors. The donors are beneficiaries of the trust and will receive annual payments until their deaths. At such time the University will receive the trust corpus. The donors have not placed any restrictions on the use of the corpus. The University has recorded these trusts, included in the table above, at the net present value of the estimated future payments due to the University which is \$1,691 and \$1,256 at May 31, 2007 and 2006, respectively.

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

(7) Restricted Net Assets

Restricted net assets consist of the following at May 31:

	2007		2006	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarship	\$ 1,155	18,579	481	17,627
Instruction, academic and institutional support	13,994	9,159	13,567	8,403
Split-interest agreements and perpetual trusts	735	6,306	876	5,854
Term endowment	6,924	—	6,923	—
	22,808	34,044	21,847	31,884
Contributions receivable - net	11,037	—	10,048	—
	<u>\$ 33,845</u>	<u>34,044</u>	<u>31,895</u>	<u>31,884</u>

(8) Net Assets Released from Restrictions

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donor are as follows at May 31:

	2007	2006
Purpose restrictions:		
Scholarship	\$ 254	182
Instruction, academic and institutional support	715	2,532
Research	8	115
Buildings	1,859	—
	<u>\$ 2,836</u>	<u>2,829</u>

(9) Disclosure about Fair Value of Financial Instruments

In accordance with the requirements of Statement of Financial Accounting Standards No. 107, *Disclosures about the Fair Value of Financial Instruments*, the estimated fair values of the University's financial instruments as of May 31, 2007 and 2006 have been determined by using, where practicable, appropriate valuation methodologies.

The University determined that the estimated fair value of its total indebtedness was substantially equivalent to its carrying value as of May 31, 2007 and total indebtedness was approximately \$2,000 greater than its carrying value as of May 31, 2006. The University further determined that the differences

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

between the carrying values and estimated fair values of its other financial assets and liabilities as of May 31, 2007 and 2006 were not material.

(10) Refundable U.S. Government Grants

Government advances and related interest earned on Perkins Loans are ultimately refundable to the United States Government and thus are reported as a liability.

(11) Allowances for Uncollectible Accounts and Loans Receivable

Accounts receivable are net of an allowance for uncollectible accounts of \$450 at May 31, 2007 and 2006.

Loans receivable are net of an allowance for uncollectible loans of \$388 and \$282 at May 31, 2007 and 2006, respectively.

(12) Commitments and Contingencies

As of May 31, 2007 the University is committed to invest approximately \$6,647 in certain limited partnerships.

Norwich University is a defendant in various legal actions arising out of the normal course of its operations. Although the final outcome of such actions cannot presently be determined, the University's management is of the opinion that the eventual liability, if any, will not have a material effect on the University's financial position.

(13) Retirement Plans

The University participates in contributory retirement plans administered by the Teachers Insurance Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF) for full-time employees. The University's policy is to accrue and pay the costs of these defined contribution plans currently. The total amount charged to operations was \$1,317 and \$1,259 in fiscal 2007 and 2006, respectively.

(14) Note Receivable

The University has a note receivable from the sale of Vermont College to the Union Institute and University in 2001 in the amount of \$1,583 and \$1,750 at May 31, 2007 and 2006, respectively. The note bears interest at 7.5% and is payable in equal quarterly payments of principal and interest of \$41, beginning January 1, 2002 through 2008 at which time the outstanding balance is due in full with accrued interest. The note receivable is included in accounts and notes receivable on the statement of financial position.

NORWICH UNIVERSITY

Notes to Consolidated Financial Statements

May 31, 2007

(In thousands)

(15) Related Entity

The operating revenues and expenses of the related entity for the year ended May 31, 2007 and 2006 are as follows:

	2007	2006
Revenues:		
Contract revenue	\$ 6,515	1,379
Grant revenue	2,327	3,892
Other income	43	7
Total revenues	<u>\$ 8,885</u>	<u>5,278</u>
Expenses:		
Program services	\$ 6,876	4,112
Management and general	1,316	1,327
Total expenses	<u>\$ 8,192</u>	<u>5,439</u>

(16) Research Grants

The University has been awarded \$1,108 in research grants at May 31, 2007, which have not been received or expended. These rewards, which represent commitments of sponsors to provide funds on a cost-reimbursement basis for research, will not be reflected in the financial statements until reimbursable activities have been conducted in accordance with the provisions of the grants.

(17) Conditional Promises to Give

In December 2006 the University was awarded a grant from The George F. and Sybil H. Fuller Foundation, a portion of which was conditional. The George F. and Sybil H. Fuller Foundation has promised to match up to \$100 each year, for calendar years 2007 and 2008, contributions from first-time donors who have graduated from Norwich since 1986. As of May 31, 2007, \$65 was available for the remainder of calendar year 2007, and \$100 was available for calendar year 2008.

In October 2006 the University was awarded a grant from the Kresge Foundation. If the University is able to raise \$2,200 in gifts and pledges restricted to the Wise Campus Center by January 1, 2008, the Kresge Foundation will give the University \$500. As of May 31, 2007 the University has raised approximately \$1,500 toward that goal.

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APPENDIX D

Definitions of Certain Terms and Summaries of the Loan Agreement and the Trust Agreement

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DEFINITIONS OF CERTAIN TERMS

The following is a summary of the definitions of certain terms contained in the Loan Agreement and the Trust Agreement and used in this Official Statement.

“Annual Administrative Fee” means the annual fee for the general administrative expenses of the Agency in an amount not to exceed one-tenth of one percent (1/10 of 1%) of the aggregate principal amount of the Bonds.

“Agency” means the Vermont Educational and Health Buildings Financing Agency, and any successor thereto.

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

“Alternate Credit Facility” means, with respect to the Bonds, a replacement irrevocable direct-pay letter of credit containing administrative provisions reasonably satisfactory to the Trustee, issued and delivered to, and accepted by, the Trustee in accordance with the Trust Agreement; provided, however, that any amendment, extension, renewal or substitution of the Credit Facility then in effect for the purpose of extending the Expiration Date of such Credit Facility or modifying such Credit Facility pursuant to its terms shall not be deemed to be an Alternate Credit Facility for purposes of the Trust Agreement.

“Alternate Liquidity Facility” means a Liquidity Facility issued to replace a Liquidity Facility to purchase Bonds as provided in the Trust Agreement and any amendment or assignment of a Liquidity Facility which results in a change in the Liquidity Facility Provider.

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

“Available Moneys” means if a Credit Facility is in effect, (i) moneys drawn under the Credit Facility which at all times since their receipt by the Trustee or the Tender Agent were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than those drawn under the Credit Facility) were at any time held, (ii) moneys which have been paid to the Trustee or the Tender Agent by the Corporation and have been on deposit with the Trustee or the Tender Agent for at least 124 days (or, if paid to the Trustee or the Tender Agent by an “affiliate,” as defined in Bankruptcy Code §101(2), of the Corporation, 366 days) during and prior to which no Event of Bankruptcy shall have occurred, (iii) any other moneys, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters (which opinion shall be acceptable to each Rating Agency then rating the Bonds), the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, and (iv) investment earnings on any of the moneys described in clauses (i), (ii) and (iii) of this definition; otherwise, “Available Moneys” means any moneys deposited with the Trustee or the Tender Agent.

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

“Bond Registrar” means the Bond Registrar at the time serving as such under the Trust Agreement whether the original or a successor bond registrar.

“Bond Trustee” or “Trustee” means the Bond Trustee at the time serving as such under the Trust Agreement whether the original or a successor trustee.

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

“Bond Year” means the period commencing on September 1 of any year and ending on August 31 of the next succeeding year.

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

“Business Day” means any day (A) other than (i) a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in any of the State, the City of New York, New York or any other municipalities in which the principal offices of the Trustee, the Tender Agent and the Remarketing Agent and the office of the Liquidity Facility Provider or Credit Facility Provider from which payments pursuant to the Liquidity Facility or Credit Facility are to be made are located or (ii) any day on which the New York Stock Exchange or the Securities Depository is closed and (B) if a Credit Facility or Liquidity Facility is in effect, which is also a “business day” as defined in such Credit Facility or Liquidity Facility.

“Campus” means, collectively, the Existing Facilities, the Project and any Improvements.

“Closing Date” means the date on which the Loan Agreement becomes legally effective, the same being the date on which the Bonds are delivered against payment therefor.

“Code” means the Internal Revenue Code of 1986, as amended, and all regulations promulgated thereunder.

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

“Conversion” means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period (including the establishment of a new interest period within the Long-Term Interest Rate Period) as provided in the Trust Agreement.

“Conversion Date” means the effective date of a Conversion of the Bonds.

“Corporation Bonds” means the Bonds held by the Tender Agent for and on behalf of the Corporation or any nominee for (or any Person who owns such Bonds for the sole benefit of) the Corporation.

“Credit Facility” means, initially, the irrevocable, direct-pay letter of credit issued in favor of the Trustee for the Bonds by RBS Citizens, National Association, and all amendments, extensions, renewals or substitutions thereof pursuant to its terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility.

“Credit Facility Provider” means the issuer of the Credit Facility, initially RBS Citizens, National Association, and upon the effectiveness of an Alternate Credit Facility, the issuer of such Alternate Credit Facility.

“Credit Facility Provider Agreement” means any agreement between the Corporation (or any affiliate of the Corporation) and the Credit Facility Provider, pursuant to which a Credit Facility is issued by the Credit Facility Provider, as the same may be amended or supplemented, initially RBS Citizens, National Association.

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

“Defeased Municipal Obligations” means obligations of state or local government municipal bond issuers which are not callable at the option of the obligor prior to maturity or for which irrevocable instructions have been given by the obligor to pay such obligations on the date fixed for redemption and which are rated, based on an irrevocable escrow account or fund, in the highest rating category by each of S&P and Moody’s, provision for the payment of the principal of, redemption premium, if any, and interest on which shall have been made by deposit in an irrevocable escrow fund or account with a trustee or escrow agent of Defeasance Obligations or cash, which escrow fund or account shall be applied only to the payment of the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers, when due and payable, and shall be sufficient, as verified by a nationally recognized independent certified public accountant, to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

“Defeasance Obligations” means (1) cash, (2) noncallable Government Obligations, (3) evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, or (4) Defeased Municipal Obligations, or any combination thereof.

“Depository” means one or more banks or trust companies authorized under the laws of the United States of America, the State of Vermont or the State of New York to engage in the banking business within the State and designated by the Agency, with the approval of the Corporation, as a depository of money under the provisions of the Trust Agreement.

“Designated Corporate Trust Office” means, initially, the corporate trust office of the Bond Trustee located at Two Burlington Square, Burlington, Vermont 05402, and thereafter any office designated by the Bond Trustee by notice to the Agency and the Corporation given pursuant to the Trust Agreement.

“Event of Default” means, with respect to the Loan Agreement, each of those events set forth in the Loan Agreement and summarized under the applicable caption “SUMMARY OF THE LOAN AGREEMENT – Defaults and Remedies” herein, with respect to the Trust Agreement, each of those events set forth in the applicable Trust Agreement and summarized under the applicable caption “SUMMARY OF THE TRUST AGREEMENT – Events of Default” herein.

“Existing Facilities” means the property of the Corporation in the Town of Northfield, Vermont, in the State with all improvements, buildings, structures, fixtures, machinery, equipment and other facilities existing and situated in and upon said property on the date of delivery of and payment for the Bonds.

“Expiration Date” means the termination date of the Credit Facility or the Liquidity Facility then in effect, as extended from time to time.

“Favorable Opinion of Bond Counsel” means, with respect to any action relating to the Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, the Corporation, the Credit Facility Provider and the Remarketing Agent, to the effect that such action is permitted under the Trust Agreement and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the State (subject to customary exceptions).

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities

rating agency designated by the Agency and the Authorized Corporation Representative, by notice to the Bond Trustee.

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

“Holder” or “Bondholder” means the person in whose name a Bond is registered in the registration books provided for in the Trust Agreement.

“Improvements” means any additions, enlargements, improvements, extensions, alterations, fixtures, equipment, land, appurtenances and other facilities to or for the Project or the Existing Facilities.

“Initial Administrative Fee” means the fee required to be paid to the Agency for its administrative expenses in connection with its financing of the Project, such fee not exceeding one-fourth of one percent (1/4 of 1%) of the aggregate principal amount of the Bonds.

“Interest Account” means the account in the Bond Fund created and designated by the Trust Agreement.

“Interest Accrual Date” means for any Weekly Interest Rate Period for the Bonds, the first day thereof and, thereafter, the first Wednesday of each calendar month during such Weekly Interest Rate Period.

“Interest Payment Date” means the first Wednesday of each month for the Bonds while in the Weekly Interest Rate Period (or if the first Wednesday is not a Business Day, the next succeeding Business Day).

“Investment Obligations” means any one or more of the following obligations or securities, regardless of whether issued by the Trustee (in its individual capacity) or any of its Affiliates and having at the time of purchase, or at such other time as may be specified, the required ratings, if any, provided for in this definition:

A. The following obligations may be used as Investment Obligations for all purposes, including defeasance investments in refunding escrow accounts:

- (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below), and
- (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

B. The following obligations may be used as Investment Obligations for all purposes, other than defeasance investments in refunding escrow accounts:

(1) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration

- Federal Financing Bank;

(2) senior debt obligations rated “AAA” by S&P and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, obligations of the Resolution Funding Corporation (REFCORP), senior debt obligations of the Federal Home Loan Bank System, and senior debt obligations of other Government Sponsored Agencies approved by Moody’s and S&P.

(3) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase;

(5) investments in a money market fund rated “AAAm” or “AAm-G” or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and

(a) which are rated, based on an irrevocable escrow account or fund (the “escrow”) in the highest rating category of S&P and Moody’s, or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) general obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;

(8) investment agreements approved in writing by Moody’s and supported by appropriate opinions of counsel; and

(9) other forms of investments including repurchase agreements approved in writing by Moody’s.

“Liquidity Facility” means a letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement by a Liquidity Facility Provider to provide liquidity support to pay the Tender Price of the Bonds tendered for purchase in accordance with the provisions of the Trust Agreement and any Alternate Liquidity Facility delivered pursuant to the Trust Agreement and with terms that are not inconsistent with the terms of the Trust Agreement.

“Liquidity Facility Provider” means the provider of a Liquidity Facility, and its successors and permitted assigns, and, upon the effective date of an Alternate Liquidity Facility, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their successors and assigns. If any Alternate Liquidity Facility is issued by more than one bank, financial institution or

other Person, notices required to be given to the Liquidity Facility Provider may be given to the bank, financial institution or other Person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons.

“Loan” means the loan of the proceeds of the applicable Bonds made by the Agency to the Corporation pursuant to the Loan Agreement.

“Loan Repayments” means those payments so designated by and set forth in the applicable Loan Agreement.

“Maximum Bank Bond Interest Rate” means the lesser of (a) the rate of 25% per annum and (b) the Maximum Lawful Rate.

“Maximum Bond Interest Rate” means the lesser of 12% per annum and the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the Authorized Corporation Representative, by notice to the Bond Trustee.

“Officer’s Certificate” means, with respect to the Loan Agreement, a certificate signed by an Agency Representative or a Authorized Corporation Representative, as the case may be.

“Operating Assets” means any or all land, leasehold interests, buildings, machinery, equipment, hardware and inventory of the Corporation used in its trade or business, but not including cash, investment securities and other property held for investment purposes.

“Opinion of Counsel” means, with respect to the Trust Agreement, an opinion in writing signed by an attorney or firm of attorneys acceptable to the Bond Trustee who may be counsel for the Agency or the Corporation or other counsel.

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

- (1) Bonds theretofore cancelled by the Bond Registrar or delivered to the Bond Registrar for cancellation;
- (2) Bonds for the payment of which money, Defeasance Obligations, or a combination of both, sufficient to pay, on the date when such Bonds are to be paid or redeemed, the principal amount of or the Redemption Price of, and the interest accruing to such date on, the Bonds to be paid or redeemed, has been deposited with the Bond Trustee or the Bond Registrar in trust for the Holders of such Bonds; Defeasance Obligations shall be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the Redemption Price of, and the interest accruing on, such Bonds to such date;
- (3) Bonds in exchange for or in lieu of which other Bonds have been issued;
- (4) Bonds deemed to have been paid in accordance with the applicable Trust Agreement; and
- (5) Undelivered Bonds;

provided, however, that Bonds owned or held by or for the account of the Corporation, any Affiliate or any subsidiary or controlled affiliate of the Corporation or any Affiliate shall not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in the Articles in the applicable Trust Agreement entitled “Events of Default and Remedies”, “Supplemental Trust Agreements” and “Defeasance” and in the Section in the Loan Agreement entitled “Amendment of Agreement” and neither the Corporation nor any Affiliate as registered owners of such Bonds shall be entitled to consent or take any other action provided for in the above-mentioned provisions of the Trust Agreement or the Loan Agreement; and provided further, however, that Bonds paid by payments made under a Credit Facility shall be deemed to be Outstanding until the Credit Facility Provider is reimbursed in full.

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

“Plans and Specifications” means the outline plans and specifications prepared for the Project as the same may be implemented and detailed from time to time and as the same may be revised from time to time prior to the completion of the acquisition, construction and equipping of the Project in accordance with the Loan Agreement.

“Principal Account” means the account in the Bond Fund created and so designed by the Trust Agreement.

“Project” means (1) the acquisition, construction, renovation, equipping and furnishing of (a) an approximately 280 bed dormitory of approximately 72,150 square feet, including associated costs such as professional fees, permits, fixtures, and site work; (b) related infrastructure (water, sewer, electricity, roads, walks, surface parking) required at the site, (c) a boiler room and on-site emergency generator in such dormitory; (d) an upgraded approximately 10,400 square foot basement of the Engineering, Math and Science Complex; and (e) certain academic facilities as needed to move equipment to the upgraded Engineering, Math and Science Complex, and (2), when the context requires, also includes those projects financed with proceeds of the Refunded Bonds.

“Rating Agency” means Moody’s.

“Register” means the register of the record owners of Bonds maintained by the Bond Registrar pursuant to the Trust Agreement.

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

“Refunded Bonds” means the Agency’s Revenue Bonds (Norwich University Project), Series 2006.

“Remarketing Agent” means each Person qualified to act as Remarketing Agent for the Bonds and appointed by the Corporation with the consent of the Agency from time to time, subject to the approval of the Credit Facility Provider.

“Remarketing Agreement” means a Remarketing Agreement between the Corporation and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under the Trust Agreement, as amended from time to time.

“Required Payments under the Loan Agreement” means the payments so designated by and set forth in the Loan Agreement.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if S&P shall be dissolved or liquidated or shall no longer perform the functions of

a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency and the Authorized Corporation Representative, by notice to the Bond Trustee.

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

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

“Self Liquidity Arrangement” means that the Bonds are rated in the highest short-term rating category (without giving effect to any gradations within such category) by at least one of Moody’s, S&P or Fitch and by all of them that are then rating the Bonds without the support of a Liquidity Facility or a Credit Facility.

“Special Record Date” for the payment of any Defaulted Interest on Bonds means a date fixed by the Bond Trustee pursuant to the Trust Agreement.

“State” means the State of Vermont.

“Tax Certificate” means the Tax Certificate and Agreement, dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the Bonds executed by the Agency and the Corporation on the date of initial execution and delivery of the Bonds, including any and all exhibits attached thereto.

“Tender Agent” means each Person qualified to act as Tender Agent with respect to the Bonds and so appointed by the Corporation and so acting from time to time, and its successors.

“Tender Date” means the date on which the Bonds are required to be purchased pursuant to the Trust Agreement.

“Tender Price” means the purchase price to be paid to the Holders of the Bonds purchased pursuant to the Trust Agreement, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Accrual Date).

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

“Weekly Interest Rate” means a variable interest rate for the Bonds established in accordance with the Trust Agreement.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect for the Bonds.

SUMMARY OF THE LOAN AGREEMENT

Loan Repayments; Required Payments Under the Loan Agreement

The Corporation shall make Total Required Payments when due. The Corporation's obligation to make the Total Required Payments and to satisfy any other financial liabilities incurred under this Agreement shall be a direct, general, and unconditional obligation of the Corporation. The Corporation shall make Loan Repayments directly to the Trustee for deposit in the Bond Fund or the Redemption Fund, as the case may be. Required Payments under this Agreement shall be made by the Corporation directly to the persons, firms, governmental agencies and other entities entitled to such payments.

Loan Repayments shall be sufficient in the aggregate to repay the Loan, together with interest thereon and to pay in full, when due, all Bonds issued under the Trust Agreement, together with the total interest and redemption premium, if any, thereon.

The Loan Repayments shall be due and payable as follows:

(a) during the Weekly Interest Rate Period, the Daily Interest Rate Period, the Short-Term Interest Rate Period or the ARS Interest Rate Period, on the Business Day immediately preceding each Interest Payment Date, and, during the Long-Term Interest Rate Period, on the 25th day of the month preceding each Interest Payment Date, to the Bond Trustee, for deposit to the credit of the Interest Account, an amount equal to the interest payable on the Bonds on such Interest Payment Date, less any applicable credit under the Trust Agreement; provided, however, that if the interest rate on the Bonds is subject to adjustment pursuant to the Trust Agreement after the date of such required deposit, interest accruing on the Bonds from such adjustment date shall be assumed to accrue at the Maximum Bond Interest Rate

(b) to the credit of the Principal Account, on August 20, 2038, an amount equal to the principal payable on September 1, 2038; and

(c) any amount that may from time to time be required to enable the Agency to pay redemption premiums as and when Bonds are called for redemption.

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

(i) the fees and other costs payable to the Master Trustee, the Bond Trustee, the Bond Registrar, the Tender Agent and the Remarketing Agent;

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

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

(iv) reasonable fees and other costs that the Corporation is obligated to pay, not otherwise paid under the Loan Agreement or the Trust Agreement, incurred by the Agency in connection with its administration and enforcement of, and compliance with, the Loan Agreement or the Trust Agreement, including, but not limited to, the initial administration fee of the Agency, and the annual administration fee presently imposed by the Agency, which the Corporation acknowledges may be increased from time to time, in an annual amount not to exceed 1/10 of 1% of the original aggregate principal amount of the Bonds and is payable on July 1 of each calendar year commencing July 1, 2009, and reasonable attorney's fees.

Absolute Obligation to Make Total Required Payments

The obligation of the Corporation to make the Loan Repayments and all other Required Payments under the Loan Agreement and to perform and observe the other agreements contained in the Loan Agreement shall be absolute and unconditional general obligations of the Corporation. The Corporation will pay without abatement, diminution or deduction all such amounts, regardless of any defense or any rights of setoff, recoupment or counterclaim that the Corporation may have or assert against the Agency or the Trustee or any other person.

Maintenance of Credit Facility

(a) So long as the Bonds bear interest at the Weekly Interest Rate, the Corporation shall cause a Liquidity Facility, a Credit Facility or a Self-Liquidity Arrangement to be in effect. On the date of issuance of the Bonds, a Credit Facility will be in effect.

(b) The Corporation will give the Agency, the Remarketing Agent, the Tender Agent and the Trustee written notification of any expiration, termination or replacement of the Liquidity Facility or the Credit Facility then in effect as soon as practicable after receiving knowledge thereof.

Other Covenants of the Corporation

The Loan Agreement provides that the Corporation will comply with certain covenants with respect to: maintenance of the Corporation's corporate existence; maintenance and preservation of the Corporation's campus; examination of the Project and the books and records of the Corporation by the Trustee and the Agency; compliance with applicable law; furnishing of financial statements to the Agency and the Trustee; non-religious use of the Project; and the execution and delivery of supplements, amendments and other corrective instruments as may reasonably be required with respect to the performance of the Loan Agreement.

The Corporation covenants and agrees 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 Corporation's tax exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Corporation further covenants that it will use due diligence so that it will maintain its tax exempt status under Federal income tax laws and regulations thereunder 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 Corporation.

Secondary Market Disclosure

The Corporation 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 or cause to be filed within 180 days after the end of each of its fiscal years, beginning after its 2008 fiscal year, with each nationally recognized municipal securities information repository and with any Vermont state information depository, core financial information for the prior fiscal year, including (i) the Corporation'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 Corporation and its revenues, expenditures, financial operations and indebtedness of the type generally found in the Appendix B to this Official Statement in the tables contained in the following sections: "Composition of the Student Body", "Undergraduate Enrollment", "Undergraduate Tuition and Financial Aid" and "School of Graduate Studies"; and

(B) to file in a timely manner, with each nationally recognized municipal securities information repository or with the Municipal Securities Rulemaking Board, and with any Vermont state information depository, notice of any of the following events with respect to the Bonds, if material:

principal and interest payment delinquencies;

non-payment related defaults;

unscheduled draws on debt service reserves reflecting financial difficulties;

unscheduled draws on credit enhancements reflecting financial difficulties;

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

adverse opinions or events, affecting the exclusion from gross income for Federal income tax purposes of interest on the Bonds;

modifications to rights of security holders;

calls and defeasances;

release, substitution, or sale of property securing repayment of the Bonds;

rating changes; and

failure of the Corporation to comply with clause (A) above.

No beneficial owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of any covenant in paragraph (a) of this Section (the "Disclosure Covenant") or for any remedy for breach thereof, unless such owner shall have filed with the Corporation written notice of and request to cure such breach, and the Corporation 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 benefitted 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 said paragraph (a) 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 Corporation, or type of business conducted; this Section, 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 award 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 Corporation; or

(2) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the adoption of this resolution, ceases to be in effect for any reason, and the Corporation elects that this Section shall be deemed amended accordingly.

Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described in the preceding paragraph.

Defaults and Remedies

Events of Default are defined in the Loan Agreement to include: (a) failure of the Corporation to make all or any part of any Total Required Payment under the Loan Agreement when due, or (b) failure by the Corporation to pay when due any payment required under the Loan Agreement other than any Total Required Payment, 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 Corporation by the Agency or the Trustee, unless the Agency and the Trustee shall agree in writing to an extension of such time prior to its expiration, or (c) failure of the Corporation to perform, observe or comply with any covenant, condition or agreement on its part under the Loan Agreement (other than a failure to make any payments in clauses (a) and (b) above), and such failure continues for a period of 90 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation by the Trustee or the Agency, unless the Agency and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if such failure cannot be corrected within such 90-day period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and diligently pursued until such failure is corrected, or (d) under any present or future bankruptcy law, the application 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 the admission in writing of its inability to pay its debts generally as they come due, or the making of a general assignment for the benefit of creditors, or the institution of proceedings to be adjudged a bankrupt or insolvent, or the seeking of reorganization in a proceeding under any present or future bankruptcy law or the admission of the material allegations of a petition filed against the Corporation in any such proceeding, or the seeking of 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 Corporation or its directors shall take action looking to the dissolution or liquidation of the Corporation or an arrangement, composition, extension or adjustment with its creditors generally, or (e) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Corporation a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Corporation 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 or sequestrator (or other similar official) of the Corporation 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, or (f) abandonment by the Corporation of the Project, or any substantial part thereof, or the operations therein other than as permitted in the Loan Agreement, and such abandonment shall continue for a period of thirty (30) days after written notice thereof shall have been given to the Corporation by the Agency or the Trustee, or (g) failure of the Corporation to pay the principal of or interest on any other obligation of the Corporation for borrowed money in excess of \$600,000 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 any such default regardless of amount shall be a default if such default adversely affects repayment or jeopardizes the interests granted by the Corporation under the Loan Agreement, or (h) default by the Corporation under any indenture, agreement or other similar instrument under which any evidence of indebtedness of the Corporation for borrowed money in excess of \$50,000 may be issued and such default results in the formal acceleration of the maturity of any indebtedness of the Corporation outstanding thereunder or (i) an event of default under the Trust Agreement shall have, occurred and be continuing.

Upon the happening of an Event of Default under the Loan Agreement, the Agency may take any of the following actions: (a) declare all unpaid Loan Repayments to be immediately due and payable, whereupon the same shall become immediately due and payable; or (b) take any action at law or in equity to collect the payments then due and thereafter to become due, to enforce performance and observance of any obligation, agreement or covenant of the Corporation under the Loan Agreement.

Any amounts collected pursuant to such action shall be paid to the Trustee for deposit in the Bond Fund and applied in accordance with the provisions of the Trust Agreement.

Prepayment of Loan

The Corporation has the option to prepay all or any portion (in Authorized Denominations) of the amounts payable under the Loan at any time. Such prepayment shall be made by the Corporation taking, or causing the Agency to take, the actions required (i) for payment of the Bonds, or (ii) to effect a partial redemption of the Bonds.

The Corporation has the option to prepay, without penalty or premium of any kind, all or any portion (in Authorized Denominations) of the Loan, together with accrued interest to the date of prepayment, upon (i) damage or destruction of all or any part (if damage or destruction of such part causes the Corporation to be impracticable to operate, as evidenced by a certificate of the Corporation filed, pursuant to the Loan Agreement, with the Agency and the Trustee) of the Operating Assets by fire or casualty, or loss of title to or use of substantially all of the Operating Assets as a result of the failure of title or as a result of Eminent Domain proceedings or proceedings in lieu thereof, or (ii) changes in the Constitution of the United States of America or of the State or of legislation or administrative action, or failure of administrative action by the United States or the State or any agency or political subdivision of either thereof, or by reason of any judicial decision, and, upon the occurrence of either (i) or (ii), to such extent that in the opinion of the board of trustees of the Corporation and in the opinion of an independent architect, engineer or management consultant (as may be appropriate for the particular event), both filed with the Agency and the Trustee, (i) the Loan Agreement is impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities not being imposed on the date hereof are imposed on the Corporation.

Insurance

The Corporation agrees that it will maintain, or cause to be maintained, the following types of insurance (including one or more self-insurance programs considered to be adequate) in such amounts as, in its judgment, are adequate to protect the Campus: (i) comprehensive general liability insurance, including contractual liability and automobile insurance including non-owned and hired automobiles (excluding collision and comprehensive coverage thereon), (ii) fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements and business income insurance covering such periods, and (iii) boiler and machinery insurance.

The Corporation shall employ an insurance consultant to review the insurance requirements of the Corporation from time to time (but not less frequently than biannually). If the Insurance Consultant makes recommendations for the increase of any coverage, except as permitted in the Loan Agreement, the Corporation shall increase or cause to be increased such coverage, in accordance with such recommendations, subject to a good faith determination of the board of trustees of the Corporation that such recommendations in whole or in part, are in the best interest of the Corporation.

If the Corporation shall fail to obtain or maintain insurance as required in the Loan Agreement, the Corporation shall forthwith notify the Agency and the Trustee of such failure, and the Trustee may, at its option, obtain and maintain such insurance and the Corporation shall be obligated to promptly reimburse the Trustee for all amounts expended in connection therewith, together with interest thereon at the then announced prime rate charged by the commercial lending department of the Trustee.

No acceptance or approval of any insurance policy or plan of self-insurance by the Agency or the Trustee shall relieve or release the Corporation from any liability, duty or obligation under the provisions of the Loan Agreement.

Amendments to Loan Agreement

The Loan Agreement may, without the consent of or notice to any of the Holders, be amended, from time to time, to:

- (a) cure any ambiguity or formal defect or omission in the Loan Agreement or in any supplement thereto;
- (b) correct or supplement any provisions in the Loan Agreement which may be inconsistent with any other provisions in the Loan Agreement or make any other provisions with respect to matters which do not materially or adversely affect the interest of the Holders;
- (c) grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee;
- (d) add conditions, limitations and restrictions on the Corporation to be observed thereafter;
- (e) make any change to the administrative provisions hereof to accommodate the provisions of an Alternate Credit Facility; or
- (f) while the Bonds bear interest at the Weekly Interest Rate, to modify the provisions of this Agreement to reflect any change to the sinking fund requirements made pursuant to the Trust Agreement.

Any other amendments to the Loan Agreement require the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

While the Credit Facility is in effect for the Bonds, no amendment to this Agreement shall be come effective unless and until the Credit Facility Provider shall have consented to the execution and delivery of such amendment.

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

Notwithstanding any other provision of the Loan Agreement, neither the Agency nor any member, director, officer, agent, servant or employee of the Agency shall be liable to the Corporation, the Trustee, the Holders or any other person for any action taken by it or for any failure to take action under the Loan Agreement or the Trust Agreement. In acting under the Loan Agreement, or in refraining from acting under the Loan Agreement, the Agency may conclusively rely on the advice of its legal counsel.

SUMMARY OF THE TRUST AGREEMENT

Various Funds and Accounts Created by the Trust Agreement

The Trust Agreement creates the following funds:

- (1) the Bond Fund;
- (2) the Redemption Fund; and
- (3) the Construction Fund.

All proceeds of the Bonds, after the payments and deposits required by the Trust Agreement are made, shall be deposited immediately upon receipt to the credit of the Construction Fund. Payment of the Cost of the Project shall be made from the Construction Fund.

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

The money in each of the aforementioned funds and accounts will be held in trust and will be subject to a lien and charge in favor of the Holders of the Bonds until paid out or transferred as provided in the Trust Agreement.

Deposits to the Bond Fund

Loan Repayments (excluding any amounts relating to the Tender Price of Bonds) shall be deposited into the Interest Account or the Principal Account in the Bond Fund, as appropriate, in the amounts required to pay the principal of and premium, if any, and interest next coming due on the Bonds.

Sums received by the trustee after drawing on a Credit Facility shall be deposited into the Interest Account or the Principal Account in the Bond Fund, as appropriate, and applied to the payment of principal of and interest on the Bonds when due.

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

To the extent that investment earnings are credited to the Interest Account or the Principal Account in accordance with the Trust Agreement, or amounts are credited thereto as a result of the application of Bond proceeds or a transfer of investment earnings on any other fund or account held by the Bond Trustee, or otherwise, future deposits to such accounts will be reduced by the amount so credited, and the Loan Repayments due following the date of the credit will be reduced by the amounts so credited.

All amounts received by the Bond Trustee as principal of or interest accruing on the Bonds to be redeemed as a result of a prepayment of the Loan will be deposited in the Redemption Fund and the Interest Account, respectively, when received. All amounts received by the Bond Trustee as redemption premiums will be deposited in the Redemption Fund when received.

All amounts received by the Bond Trustee as principal of or interest accruing on Bonds that have been accelerated will be deposited in the Bond Fund and applied in accordance with the Trust Agreement.

While a Credit Facility is in effect, each deposit into the Bond Fund not constituting Available Moneys shall be placed in a separate account or subaccount within the Bond Fund, and may not be commingled with other money in any such account or subaccount until such money becomes Available Moneys.

The Agency hereby authorizes and directs the Trustee, and the Trustee hereby agrees, to withdraw from the Bond Fund, and make available at the principal office of the Trustee sufficient funds (to the extent available) to pay the principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable, whether due by maturity, acceleration, redemption or otherwise, only in the following order of priority:

FIRST: Amounts drawn by the Trustee under a Credit Facility.

SECOND: Available Moneys on deposit in the Bond Fund, other than amounts received by the Trustee in respect of drawings under a Credit Facility.

THIRD: Any other amounts in such funds or accounts, including but not limited to moneys obtained from the Corporation.

After provision is made for the payment of the principal of, redemption premium, if any, or interest on any Bonds on a given payment date and to the extent that the Credit Facility Provider has not been reimbursed by the Corporation, the Trustee shall pay the Credit Facility Provider, on its request (as specified in such request), the

amount necessary to reimburse the Credit Facility Provider for money owed to it under the Credit Facility Provider Agreement from amounts on deposit in the Bond Fund.

Bond Fund Accounts

If the Bonds are not in a Book-Entry System, not later than 2:00 p.m. on each Interest Payment Date, or date for the payment of Defaulted Interest, or date upon which Bonds are to be redeemed, the Bond Trustee will withdraw from the Interest Account and remit by mail, or, to the extent permitted by the Trust Agreement, by wire transfer, to each Holder which is not a Securities Depository Nominee the amount required for paying interest on such Bonds when due and payable.

If the Bonds are in a Book-Entry System, at such time as to enable the Bond Trustee to make payments of interest on the Bonds in accordance with any existing agreement between the Bond Trustee and any Securities Depository, the Bond Trustee will withdraw from the Interest Account and remit by wire transfer, in Federal Reserve or other immediately available funds, the amounts required to pay to any Holder which is a Securities Depository Nominee interest on the Bonds on the next ensuing Interest Payment Date or date the payment of Defaulted Interest or date upon which Bonds are to be redeemed; provided, however, that in no event will the Bond Trustee be required to make such wire transfer prior to the Business Day next preceding each Interest Payment Date or date the payment of Defaulted Interest or date upon which Bonds are to be redeemed, and provided further that such wire transfer will be made not later than 2:00 p.m. on each Interest Payment Date or date the payment of Defaulted Interest or date upon which Bonds are to be redeemed.

In the event the balance in the Interest Account on the second Business Day next preceding an Interest Payment Date or date on which Bonds are to be redeemed, is insufficient for the payment of interest becoming due on the Bonds on the next ensuing Interest Payment Date or date upon which Bonds are to be redeemed, the Bond Trustee shall notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Bond Trustee an amount sufficient to cure the same.

Money held for the credit of the Principal Account will be applied as follows:

If the Bonds are not in a Book-Entry System, not later than 2:00 p.m. on September 1, 2038, the Bond Trustee shall withdraw from the Principal Account and remit by mail, or, to the extent permitted by Section 203 hereof, by wire transfer, to each Holder which is not a Securities Depository Nominee the amount required for paying the principal of all Bonds maturing on such September 1.

If the Bonds are in a Book-Entry System, at such time as to enable the Bond Trustee to make payment of the principal of all Bonds maturing on September 1, 2038, in accordance with any existing agreement between the Bond Trustee and any Securities Depository, the Bond Trustee shall withdraw from the Principal Account and remit by wire transfer, in Federal Reserve or other immediately available funds, the amounts required to pay to any Holder which is a Securities Depository Nominee the principal of all Bonds maturing on such September 1; provided, however, that in no event shall the Bond Trustee be required to make such wire transfer prior to the Business Day next preceding each such September 1, and provided further that such wire transfer shall be made not later than 2:00 p.m. on each such September 1.

In the event that the balance in the Principal Account on the second Business Day next preceding September 1, 2038, is insufficient for the payment of principal of all Bonds becoming due on such September 1, the Bond Trustee shall notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Bond Trustee an amount sufficient to cure the same.

Redemption Fund

Money or Available Moneys held for the credit of the Redemption Fund will be applied to the purchase or redemption of Bonds as provided in the Trust Agreement. The expenses in connection with the purchase or

redemption of Bonds are required to be paid by the Corporation as part of the Required Payments under the Loan Agreement.

Bond Purchase Fund

There is created and established with the Tender Agent a trust fund to be designated the Bond Purchase Fund. The Tender Agent shall further establish within the Bond Purchase Fund a separate trust account to be referred to herein as a "Remarketing Account", a separate trust account to be referred to herein as a "Liquidity Facility Purchase Account," a separate trust account to be referred to herein as the "Credit Facility Purchase Account" and a separate trust account to be referred to herein as an "Corporation Purchase Account". Moneys held in the Bond Purchase Fund shall be held uninvested.

(a) Remarketing Account. Upon receipt of the proceeds of a remarketing of Bonds on a Tender Date, the Tender Agent shall deposit such proceeds in the Remarketing Account of the Bond Purchase Fund for application to the Tender Price of such Bonds and, if the Tender Agent is not a paying agent with respect to such Bonds, shall transmit such proceeds to the Trustee for such application. Only proceeds derived from the remarketing of Bonds shall be deposited into the Remarketing Account and such moneys shall not be commingled with moneys derived from any other sources. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Facility Provider.

(b) Liquidity Facility Purchase Account. Upon receipt from the Liquidity Facility Provider of the immediately available funds transferred to the Tender Agent pursuant to the Trust Agreement, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date to the extent that the money on deposit in the Remarketing Account of the Bond Purchase Fund shall not be sufficient. Only moneys received from the Liquidity Facility Provider pursuant to the Liquidity Facility shall be deposited into the Liquidity Facility Purchase Account and such moneys shall not be commingled with moneys derived from any other sources. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds shall be immediately returned to the Liquidity Facility Provider.

(c) Credit Facility Purchase Account. Upon receipt from the Credit Facility Provider of the immediately available funds transferred to the Tender Agent pursuant to the Trust Agreement, the Tender Agent shall deposit such money in the Credit Facility Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date to the extent that the money on deposit in the Remarketing Account of the Bond Purchase Fund shall not be sufficient. Any amounts deposited in the Credit Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds shall be immediately returned to the Credit Facility Provider.

(d) Corporation Purchase Account. Upon receipt from the Corporation of any funds for the purchase of tendered Bonds, the Tender Agent shall deposit such money, if any, in the Corporation Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Bonds required to be purchased on a Tender Date to the extent that the money on deposit in the Remarketing Account and the Liquidity Facility Purchase Account or the Credit Facility Purchase Account of the Bond Purchase Fund shall not be sufficient. Only moneys received from the Corporation shall be deposited into the Corporation Purchase Account and such moneys shall not be commingled with moneys derived from any other sources. Any amounts deposited in the Corporation Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Bonds shall be immediately returned to the Corporation.

Investment of Money

Money held for the credit of all funds and accounts, as nearly as may be practicable, will be continuously invested and reinvested by the Trustee in Investment Obligations. 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.

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

Valuation

For the purpose of determining the amount on deposit in any fund or account, Investment Obligations in which money in such fund or account is invested shall be valued as follows:

- (a) as to investments the bid and asked prices of which are published as a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- (c) as to certificates of deposit and bankers acceptances the face amount thereof, plus accrued interest; and
- (d) as to any investment not specified above the value thereof established by prior agreement among the Agency and the Trustee.

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

Events of Default

Each of the following events is an Event of Default:

- (a) payment of any installment of interest on any Bond shall not be made when the same shall become due and payable; or
- (b) payment of the principal or the redemption premium, if any, or Tender Price of any Bond shall not be made when the same shall become due and payable, whether at maturity or by proceedings for redemption or otherwise; or
- (c) default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any agreement supplemental thereto and

such default shall continue for thirty (30) days or such further time as may be granted in writing by the Bond Trustee after receipt by the Agency of a written notice from the Bond Trustee specifying such default and requiring the same to be remedied; or

(d) an “Event of Default” shall have occurred under the Loan Agreement, and such “Event of Default” shall not have been remedied or waived; or

(e) the Trustee shall have received written notice from the Credit Facility Provider that an “Event of Default” has occurred under the Credit Facility Provider Agreement and a written direction from the Credit Facility Provider that the Bonds be accelerated; or

(f) the Trustee shall have received written notice from the Credit Facility Provider that the amount of an interest drawing under the Credit Facility will not be reinstated as provided in the Credit Facility.

Remedies on Default

Upon the happening and continuance of any Event of Default under the Trust Agreement, the Bond Trustee may, and shall upon the written request of the Holders of not less than twenty five percent (25%) in aggregate principal amount of Bonds then Outstanding or upon the happening and continuance of an Event of Default specified in (e) or (f) above, by notice in writing to the Agency and the Corporation, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in the Trust Agreement to the contrary notwithstanding; provided, however, that if at any time after the principal of Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Trust Agreement, money shall have accumulated in the Bond Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the principal of any Bonds not then due and payable by their terms and the interest accrued on such since the last interest payment date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Agency under the Trust Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee or whenever applicable, and every other default known to the Bond Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Trust Agreement (other than a default in the payments of the principal of such Bonds then due only because of a declaration under the Trust Agreement) shall have been remedied to the satisfaction of the Bond Trustee, then and in every such case, the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds not then due and payable by their terms (Bonds then due and payable only because of a declaration under the Trust Agreement shall not be deemed to be due and payable by their terms) and then Outstanding, shall, by written notice to the Agency and the Corporation, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

If a Credit Facility is in effect upon any declaration of acceleration hereunder, the Trustee shall immediately draw upon such Credit Facility as provided in the Trust Agreement . If the Credit Facility Provider honors the drawing under the Credit Facility upon a declaration of acceleration of the Bonds, interest on the Bonds shall accrue only to the date of such declaration and the Trustee shall pay the principal of and interest on the Bonds to the Holders immediately following the receipt of funds from such drawing. If no Credit Facility is in effect or the Credit Facility Provider fails to honor the drawing under the Credit Facility upon a declaration of acceleration of the Bonds, interest on the Bonds shall cease to accrue as provided in the Trust Agreement.

Upon the happening and continuance of any Event of Default under the Trust Agreement, then and in every such case the Bond Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, shall, proceed, subject to the indemnification

provisions of the Trust Agreement, to protect and enforce its rights and the rights of the Holders under the laws of the State or under the Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Bond Trustee, being advised by counsel chosen by the Bond Trustee, shall deem most effectual to protect and enforce such rights.

Restrictions upon Actions by Individual Holders

No Holder may institute any suit, action or proceeding in equity and at law on any Bonds for any remedy under the Trust Agreement unless he previously has given to the Bond Trustee written notice of the Event of Default under the Trust Agreement on account of which suit, action or proceeding is to be instituted, and unless the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding have requested in writing to the Bond Trustee to act and have furnished the Bond Trustee reasonable security and indemnity as required in the Trust Agreement and the Bond Trustee has refused or neglected to comply with such request within a reasonable time; except that the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders. Except as provided in the Trust Agreement, no one or more Holders will have any right in any manner whatever to enforce any right thereunder, and any individual rights given to such Holders by law are restricted by the Trust Agreement to the rights and remedies therein granted.

Notice to Bondholders

The Bond Trustee will, upon notice of an Event of Default, immediately notify the Agency and the Corporation of such Event of Default. The Bond Trustee will mail to all Holders at their addresses as they appear on the registration books written notice of the occurrence of any Event of Default under the Trust Agreement, within ten (10) days after the Bond Trustee has notice of the same, that any such Event of Default has occurred; provided that, except upon the happening of an Event of Default with respect to the payment of the principal or Tender Price of and interest on or redemption premium on Bonds when due, the Bond Trustee may withhold such notice from the Holders if in its opinion such withholding is in the interest of the Holders; and provided further that the Bond Trustee will not be subject to any liability to any Holder by reason of its failure to mail any such notice.

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

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

Credit Facility Provider Deemed Holder of the Bonds

For purposes of giving any consents under the Trust Agreement or the Loan Agreement or exercising any voting rights to Holders under the Trust Agreement or the Loan Agreement or giving any notice or direction or taking any other action permitted to be taken by or on behalf of the Holders under the Trust Agreement or the Loan Agreement, shall be deemed to be the sole Holder of the Bonds then Outstanding.

All rights of the Credit Facility Provider under the Trust Agreement to consent to declarations of acceleration, to consent to enforcement of remedies, to direct proceedings, to compel waivers, to consent to amendments and to give any other consents or to vote hereunder shall be suspended (i) for so long as the Credit Facility Provider wrongfully dishonors any draft (or other appropriate form of demand) presented in strict conformity with the requirements of the Credit Facility and has not honored a subsequent draft (or other appropriate form of demand), if any, thereunder or (ii) if no Credit Facility is in effect or any Credit Facility terminates in accordance with its terms and all amounts due under the Credit Facility Provider Agreement have been paid in full.

Modification of the Trust Agreement

The Agency and the Bond Trustee may from time to time execute such supplemental trust agreements as shall be consistent with the terms and provisions of the Trust Agreement and the Loan Agreement and, in the opinion of the Bond Trustee, who may rely conclusively on a written Opinion of Counsel, will not materially and adversely affect the Holders: to cure any ambiguity or formal defect or omission, to correct or supplement any inconsistent provision, or to make any other provisions with respect to matters or questions arising under the Trust Agreement; to grant to or confer upon the Bond Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Bond Trustee; to add other conditions, limitations and restrictions thereafter to be observed; to add other covenants and agreements to be observed by the Agency or to surrender any right or power reserved to or conferred upon the Agency; to comply with any federal or state securities law; to provide for the reissuance of Bonds in bearer form; to provide for the maintenance of Bonds under a book-entry system; to make any revisions that shall be necessary in connection with the Corporation or the Agency furnishing a Liquidity Facility, a Self Liquidity Arrangement, a Credit Facility or a bond insurance policy, including but not limited to revising the Interest Payment Dates for Bank Bonds; to effect any other change herein; or to make revisions that shall become effective only upon, and in connection with, the remarketing of all of the Bonds then Outstanding.

The Trust Agreement may be amended in any particular, with the consent of the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding; provided, that nothing contained in the Trust Agreement will permit (a) any extension of the maturity of principal or interest of any Bonds without the consent of the Holders of such Bonds, (b) a reduction in the principal amount of or the redemption premium or the rate of interest on any Bonds without the consent of the Holders of such Bonds, (c) the creation of a pledge of receipts and revenues to be received by the Agency under the Loan Agreement superior to the pledge created under the Trust Agreement without the consent of the Holders of all Bonds Outstanding, (d) a preference or priority of any Bonds over any other Bonds without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental trust agreement without the consent of the Holders of all Bonds Outstanding.

Anything in the Trust Agreement to the contrary notwithstanding, no supplemental indenture or other modification shall become effective unless and until the Credit Facility Provider shall have consented to the execution and delivery of such supplemental indenture or other modification.

Defeasance

When the Agency has paid or has been deemed to have paid, as set forth below, to the Holders of all of the Bonds the principal and interest and premium, if any, due or to become due thereon at the times and in the manner stipulated therein and herein, all amounts due under the Credit Facility Provider Agreement have been paid to the Credit Facility Provider, and all other obligations owing to the Trustee hereunder or under the Loan Agreement have been paid or provided for, the lien of this Trust Agreement on the Trust Estate shall terminate. Upon the written request of the Agency or the Corporation, the Trustee shall, upon the termination of the lien hereof, promptly execute and deliver to the Agency, with a copy to the Corporation, an appropriate discharge hereof except that, subject to the provisions of this Trust Agreement, the Trustee shall continue to hold in trust amounts held for the payment of the principal of, premium, if any, and interest on the Bonds.

Outstanding Bonds shall be deemed to have been paid if the Trustee shall be holding in trust for and shall have irrevocably committed to the payment of such Outstanding Bonds, either (i) Available Moneys or Defeasance Obligations purchased with Available Moneys, or (ii) if the Bonds bear interest at a Long-Term Rate to the maturity date of the Bonds, Defeasance Obligations the payments on which when due, without reinvestment, together with any Available Moneys so held and so committed, will be, in the opinion of a firm of certified public accountants or other verification agent acceptable to the Trustee and the Corporation, sufficient for the payment of all principal of and interest (calculated at the Maximum Bond Interest Rate during any period when the interest rate on the Outstanding Bonds is not fixed) and premium, if any, on such Bonds to the date of maturity or redemption, as the case may be; provided, however, that if any of such Bonds are deemed to have been paid prior to the earlier of the

redemption or the maturity thereof, the Trustee, the Corporation and the Agency shall have received an opinion of Bond Counsel that such payment and the holding thereof by the Trustee shall not in and of itself cause interest on the Bonds to be included in gross income for federal income tax purposes; provided, further, that if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given to the Bondholders or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice to the Bondholders.

Limitations set forth elsewhere in this Trust Agreement regarding the investment of moneys held by the Trustee in the Bond Fund shall not be construed to prevent the depositing and holding in the Bond Fund of the Defeasance Obligations described in preceding paragraph for the purpose of defeasing the lien of this Trust Agreement as to Outstanding Bonds which have not yet become due and payable. Notwithstanding any other provision of the Trust Agreement to the contrary, all Available Moneys deposited with the Trustee as provided herein and held in the Bond Fund or a separate escrow may be invested and reinvested, at the direction of the Corporation, in Defeasance Obligations (or, if the Bonds do not bear interest at a Long-Term Rate to the maturity date of the Bonds, in a money market fund that invests solely in Defeasance Obligations and is rated in the highest category by one of Fitch, Moody's or S&P and, if more than one of such rating agencies then rates such money market fund, is rated no less than the highest rating category by each of such rating agencies then rating such money market fund) maturing in the amounts and times as hereinbefore set forth, and all income from all Defeasance Obligations (or money market fund) in the hands of the Trustee pursuant hereto which is not required for the payment of the Bonds and interest and redemption premium, if any, thereon with respect to which such moneys shall have been so deposited shall be deposited in the Bond Fund or such separate escrow as and when realized and collected for use and application as are other moneys deposited in the Bond Fund or such separate escrow. Notwithstanding the foregoing provisions of this paragraph, if the Bonds are rated by S&P at the time a deposit of Available Moneys is made hereunder, such Available Moneys may be invested solely in Defeasance Obligations maturing or to be available to be withdrawn at par no later than the earlier of the maturity date, a mandatory purchase date, redemption date or the next possible optional tender date.

Notwithstanding any other provision of this Trust Agreement to the contrary, if an Outstanding Bond has been deemed to be paid hereunder and the Holder or Beneficial Owner of such Bond delivers an optional tender notice with respect to such Bond that would result in a purchase of such Bond prior to its maturity or redemption date: (1) the Remarketing Agent shall not remarket such Bond; (2) the Trustee shall transfer to the Tender Agent, not later than 2:30 p.m. on the Tender Date for such Bond, Available Moneys from the deposit made hereunder sufficient to pay the Tender Price of such Bond; (3) the Tender Agent shall purchase such Bond on the Tender Date applicable to such Bond; and (4) such Bond shall be delivered to the Trustee for cancellation and shall be cancelled.

Notwithstanding any other provision of this Trust Agreement to the contrary, if Outstanding Bonds have been deemed to be paid because a deposit of Available Moneys has been made hereunder, and the Bonds are rated by S&P at the time such deposit is made, then (i) if such deposit is made with proceeds of one or more drawings under the Credit Facility, then any excess funds remaining in the Bond Fund or any separate escrow after payment of all of the Bonds at their respective maturities or redemption or purchase dates shall be returned to the Credit Facility Provider, or (ii) if such deposit is made with Available Moneys as described in clause (iii) of that definition, then there shall be delivered a written opinion of Independent Counsel experienced in bankruptcy law matters, in form satisfactory to S&P, that the portion of such deposit needed to pay principal of and interest on the Bonds when due will not be subject to the automatic stay under Section 362 of the Bankruptcy Code in the event of an Event of Bankruptcy.

Notwithstanding any other provision of the Trust Agreement to the contrary, if Outstanding Bonds have been deemed to be paid because a deposit of Available Moneys or Defeasance Obligations purchased with Available Moneys has been made hereunder, the Interest Rate Period may not thereafter be converted to another Interest Rate Period by the Corporation.

Notwithstanding any other provision of the Trust Agreement to the contrary, if Outstanding Bonds have been deemed to be paid because a deposit of Available Moneys or Defeasance Obligations purchased with Available Moneys has been made hereunder with proceeds of one or more drawings under the Credit Facility, then the

surrender by the Trustee of the Credit Facility to the Credit Facility Provider for cancellation prior to the maturity or redemption date of the Bonds shall not cause the Bonds to be subject to mandatory purchase.

After all of the Outstanding Bonds shall be deemed to have been paid and all other amounts required to be paid under the Trust Agreement shall have been paid, then upon the termination of this Trust Agreement any amounts in the Bond Fund shall be paid first to the Trustee and then to the Agency to the extent necessary to repay any unpaid obligations owing to the Trustee and/or the Agency hereunder or under the Loan Agreement, and then to the Credit Facility Provider to the extent necessary to pay amounts owing to the Credit Facility Provider under the Credit Facility Provider Agreement, and thereafter the remainder, if any, shall be paid to the Corporation.

Notwithstanding any provision of the Trust Agreement to the contrary, Bonds paid by payments made under a Credit Facility shall be deemed to be Outstanding Bonds until all amounts due under the Credit Facility Provider Agreement have been paid to the Credit Facility Provider.

Recourse Against the Agency

The members, officers and employees of the Agency are not personally liable for any costs, losses, damages or liabilities caused or incurred by the Agency in connection with the Trust Agreement, or for the payment of any sum or for the performance of any obligation under the Trust Agreement.

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APPENDIX E

Proposed Form of Bond Counsel Opinion

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

BEIJING	LOS ANGELES
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FRANKFURT	SINGAPORE
GENEVA	SYDNEY
HONG KONG	TOKYO
LONDON	WASHINGTON, D.C.

FOUNDED 1866

June 11, 2008

Vermont Educational and Health
Buildings Financing Agency
Montpelier, 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 (the “Board”) of Vermont Educational and Health Buildings Financing Agency, a body corporate and politic constituting a public instrumentality of the State of Vermont (the “Agency”), authorizing the issuance of revenue bonds of the Agency hereinafter described and other proofs submitted relative to the issuance of the following bonds (the “Bonds”):

\$78,200,000

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY VARIABLE RATE REVENUE BONDS
(NORWICH UNIVERSITY PROJECT) SERIES 2008**

The Bonds are issued under and pursuant to the Act and a Trust Agreement dated as of June 1, 2008 (the “Trust Agreement”), between the Agency and Chittenden Trust Company, Burlington, Vermont, together with other available funds, to finance the cost of (i) acquiring, constructing and equipping the Project (as defined in the Trust Agreement), (ii) currently refunding certain outstanding indebtedness of Norwich University (the “Corporation”), and (iii) paying certain expenses incurred in connection with the issuance of the Bonds.

The Bonds bear interest from the original issuance date thereof initially at an adjustable interest rate and are subject to redemption prior to their maturity in the manner and upon the terms and conditions set forth therein and in the Trust Agreement. The Bonds are issuable in fully registered form in denominations that vary according to the interest mode in which the Bonds may be from time to time.

The Bonds can be converted from one interest mode to a different interest mode upon compliance with the terms of the Trust Agreement. The Bonds are subject to optional and mandatory tender for purchase at such times, under such circumstances and upon the terms and conditions as are set forth in the Trust Agreement.

The Agency will lend the proceeds of the Bonds to the Corporation under the Loan Agreement, dated as of June 1, 2008 (the “Loan Agreement”) between the Agency and the Corporation. The obligation of the Corporation to repay the loan of the proceeds of the Bonds under the Loan Agreement is an absolute and unconditional general obligation of the Corporation. The Loan Agreement (except for certain rights of the Agency) has been assigned to the Trustee as security for the payment of the Bonds. The Bonds are additionally secured by certain funds held by

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the Trustee under the Trust Agreement and income from the investment thereof. The Bonds are also entitled to the benefit of a Credit Facility (as defined in the Trust Agreement).

We have also examined 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 Trust Agreement has been duly authorized, executed and delivered 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 enforceable in accordance with their terms and payable in accordance with their terms from payments to be made by the Corporation pursuant to the Loan Agreement, funds held by the Trustee under the Trust Agreement and the income from the investment thereof, and, under certain circumstances, proceeds of insurance and condemnation awards.
4. The Loan Agreement has been duly authorized, executed and delivered by the Agency and the Corporation 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 principal of or interest on the Bonds.
6. Based on existing law and assuming compliance by the Corporation 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. 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; 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 Corporation to comply with their respective covenants to comply with the provisions of the Code regarding use, expenditure, and investment 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 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 Corporation. The opinion expressed in the first sentence 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 sentence of this paragraph, we have relied upon the representations made by the Corporation with respect to certain material facts within its knowledge which we have not independently verified and the opinion of Dinse Knapp & McAndrew, P.C., Burlington, Vermont, counsel for the Corporation, that the Corporation 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 Corporation 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.



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LONDON	WASHINGTON, D.C.

FOUNDED 1866

The enforceability of the Bonds, the Trust Agreement and the Loan Agreement and the obligations of the aforementioned parties with respect to such documents are subject to bankruptcy, insolvency and other laws affecting creditors' rights generally. To the extent that the remedies under the Trust Agreement and the Loan Agreement require enforcement by a court of equity, the enforceability thereof may be limited by such principles of equity as the court having jurisdiction may impose.

In rendering this opinion we have relied, without independent investigation, upon the opinion of Dinse Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the Corporation with respect to the due organization and valid existence of the Corporation, its power and authority with respect to the transactions contemplated by, and its due authorization, execution and delivery of, the Loan Agreement.

Respectfully submitted,

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APPENDIX F

Form of Letter of Credit

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Irrevocable Direct Pay Letter of Credit
No. S906001
Page 1 of 19

**IRREVOCABLE DIRECT PAY LETTER
OF CREDIT NO. S906001**

ISSUING BANK:

June 11, 2008

RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road (Mail Stop MMF470)
Medford, MA 02155

APPLICANT:

NORWICH UNIVERSITY
158 Harmon Drive
Northfield, Vermont 05663

BENEFICIARY:

Chittenden Trust Company
Two Burlington Square
Burlington, VT 05401
Attn: Institutional Trust Services

AMOUNT/CURRENCY:

Up to U.S. \$79,228,384.00

Up to SEVENTY NINE MILLION TWO HUNDRED
TWENTY EIGHT THOUSAND THREE HUNDRED
EIGHTY FOUR DOLLARS

DATE AND PLACE OF EXPIRY:

June 10, 2011 at the Issuing Bank

Ladies and Gentlemen:

At the request and on the instructions of our customer, **NORWICH UNIVERSITY** (the "University"), a Vermont not for profit corporation (the "Borrower"), **RBS CITIZENS, NATIONAL ASSOCIATION** (the "Bank") hereby establishes this Irrevocable Direct Pay Letter of Credit in your favor as Trustee for the benefit of the holders of the Bonds (as defined below) under the Trust Agreement dated as of June 1, 2008 (the "Trust Agreement") between you and the Vermont Educational and Health Buildings Financing Agency (the "Issuer"), a body corporate and public constituting a public instrumentality of the State of Vermont pursuant to which SEVENTY EIGHT MILLION TWO HUNDRED THOUSAND DOLLARS (\$78,200,000) in aggregate principal amount of Vermont Educational and Health Buildings Financing Agency Variable Rate Revenue Bonds (Norwich

Irrevocable Direct Pay Letter of Credit
No. S906001
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University Project) Series 2008 are being issued by the Issuer. All capitalized terms not defined herein have the meanings set forth in the Trust Agreement.

Subject to all of the terms and conditions contained herein, the Bank irrevocably authorizes you to draw, available by your draft at sight, in the form of Annex 1 hereto, upon the terms and conditions hereunder set forth on the Bank under this Letter of Credit, up to an aggregate amount not to exceed the Stated Amount (as such term is hereinafter defined and described) as adjusted and reinstated from time to time in accordance with the provisions hereof. However, in no event will the Bank's commitment under this Letter of Credit (a) exceed SEVENTY EIGHT MILLION TWO HUNDRED THOUSAND DOLLARS (\$78,200,000.00) with respect to draws made for the payment of the unpaid principal amount of the Bonds or the portion of the Purchase Price (as such term is hereinafter defined) corresponding to the principal of the Bonds, and (b) with respect to draws made for payment of interest on the Bonds or the portion of the Purchase Price corresponding to interest on the Bonds, exceed the lesser of (i) forty (40) days interest (computed on the basis of a 365 day year) at a maximum rate of twelve percent (12%) per annum, or (ii) the sum of ONE MILLION TWENTY EIGHT THOUSAND THREE HUNDRED EIGHTY FOUR DOLLARS (\$1,028,384.00).

As used herein:

- (a) "A-Drawing" means a draw made by you under this Letter of Credit with respect to the portion of the Purchase Price (as such term is defined below) which corresponds to the principal amount of the Bonds delivered or deemed delivered to the Trustee pursuant to Section 305 of the Trust Agreement.
- (b) "B-Drawing" means a draw made by you under this Letter of Credit with respect to a payment of principal on the Bonds.
- (c) "C-Drawing" means a draw made by you under this Letter of Credit with respect to (i) the payment of interest on the Bonds, or (ii) the payment of that portion of the Purchase Price which corresponds to the interest amount due on Bonds delivered or deemed delivered to the Trustee pursuant to Section 305 of the Trust Agreement.
- (d) "Authorized Officer" means any of your purported officers or purported representatives, including, without limitation, those holding the title of Vice President, Assistant Vice President or Assistant Treasurer.
- (e) "Bank Bonds" mean any Bonds owned by or pledged to the Bank pursuant to an unreimbursed A-Drawing, B-Drawing or C-Drawing upon this Letter of Credit.
- (f) "Business Day" means any day of the year other than a day (a) that is a Saturday or Sunday, (b) that is a legal holiday or a day on which banking institutions in either New Hampshire, Vermont, Massachusetts, or any city in which the principal offices of the Trustee and, if applicable, the Remarketing Agent or the Bank are located are required or authorized to remain closed, and (c) that is a day on which the New York Stock Exchange or The Depository Trust Company is closed.

Irrevocable Direct Pay Letter of Credit
No. S906001
Page 3 of 19

- (g) "Interest Component" means a portion of the Stated Amount available under this Letter of Credit equal to the interest on the Bonds or the portion of the Purchase Price corresponding to interest on the Bonds, reduced from time to time in accordance with the terms of the Letter of Credit, but in no event will the Interest Component exceed forty (40) days' interest at a maximum rate of twelve percent (12%) per annum.
- (h) "Pledge Agreement" means the Bond Pledge Agreement dated as of June 1, 2008 made by the Borrower to the Bank, and any amendments and supplements thereto.
- (i) "Pledged Bonds" means any Bonds which shall, at the time of determination thereof, be held in pledge by the Bank or its designee pursuant to the Pledge Agreement.
- (j) "Principal Component" means a portion of the Stated Amount available under this Letter of Credit equal to the unpaid principal balance of the Bonds, or the portion of the Purchase Price corresponding to the principal of the Bonds, reduced from time to time, in accordance with the provisions of this Letter of Credit, but in no event will the Principal Component exceed SEVENTY EIGHT MILLION TWO HUNDRED THOUSAND DOLLARS (\$78,200,000).
- (k) "Purchase Price" means an amount equal to 100% of the principal amount of, plus unpaid interest on, any Bond purchased or deemed purchased in accordance with Section 305 of the Trust Agreement.
- (l) "Reimbursement Agreement" means the Letter of Credit Reimbursement Agreement dated as of June 1, 2008 between the Borrower and the Bank, and any amendments and supplements thereto.
- (m) "Stated Amount" means the amount available for draws under this Letter of Credit which will vary from time to time in accordance with the provisions of this Letter of Credit, but in no event will the Stated Amount exceed SEVENTY NINE MILLION TWO HUNDRED TWENTY EIGHT THOUSAND THREE HUNDRED EIGHTY FOUR DOLLARS (\$79,228,384.00).

Subject to the other terms and conditions hereof, funds under the Bank's commitment under this Letter of Credit are available to you upon receipt by the Bank, by delivery in person, registered mail, certified mail, return receipt requested, electronic teletransmission (including facsimile transmission to (781) 391-8701) (with hard copy of any transmissions to follow by overnight courier) or overnight courier at the offices of RBS CITIZENS, NATIONAL ASSOCIATION, 20 Cabot Road, Mail Stop MMF470, Medford, Massachusetts 02155, Attn: International Department of a request in respect of a drawing under the Bank's commitment, appropriately completed in the form of Annex 1 attached hereto, together with:

- (a) If the drawing is an A-Drawing, a written certificate in the form of Certificate A attached hereto appropriately completed and purportedly signed by an Authorized Officer; or
- (b) If the drawing is a B-Drawing, a written certificate in the form of Certificate B attached hereto appropriately completed and purportedly signed by an Authorized Officer; or

Irrevocable Direct Pay Letter of Credit
No. S906001
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(c) If the drawing is a C-Drawing, a written certificate in the form of Certificate C attached hereto appropriately completed and purportedly signed by an Authorized Officer.

You will use best efforts to give the Bank telephonic advice at the time of the drawing (at (781) 655-4376 or at such other number as we shall specify to you), but such prior telephonic advice shall not be a condition to a drawing hereunder and you shall have no liability for not doing so.

The Bank hereby agrees with you that request for payment hereunder presented in compliance with the terms of this Letter of Credit will be duly honored by the Bank from funds of the Bank and not from funds received from the Borrower, and that if such request is so presented to the Bank as contemplated above by 11:30 a.m. Manchester, New Hampshire time, payment will be made by 2:00 p.m. Manchester, New Hampshire time of that same day if such request is presented on a Business Day, or by noon Manchester, New Hampshire time of the immediately following Business Day if such request is presented after 11:30 a.m. and not later than 3:30 p.m. Manchester, New Hampshire time on a Business Day or presented on any day other than a Business Day. Payments by the Bank will be made to you in immediately available funds by wire transfer as you may direct in your request. All payments under this Letter of Credit will be made with our own funds.

If a request for payment made by you hereunder does not, in any way, conform to the terms and conditions of this Letter of Credit, then the Bank shall give prompt notice that the request was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that the Bank is holding any documents or returning the same to you as the Bank may elect. Upon being notified that the purported payment was not effected in accordance with the Letter of Credit, you may attempt to correct any such nonconforming request for payment, if, and to the extent that, you are entitled and able to do so.

Drawings hereunder for payment of principal, interest or Purchase Price may only be made from the sums available for such purposes. Any requests for payment hereunder honored by the Bank shall not, in the aggregate, exceed the respective portions of the Stated Amount, as adjusted and reinstated in accordance with the provision below.

Adjustment to Stated Amount.

(a) Subject only to reinstatement provided for in paragraph (b) below, each drawing honored by the Bank hereunder shall pro tanto reduce the Stated Amount in the following manner: each A-Drawing and each B-Drawing honored by the Bank hereunder will reduce the Principal Component of the Stated Amount and each C-Drawing will reduce the Interest Component of the Stated Amount.

(b) With respect to any A-Drawing, the Principal Component shall be reinstated upon receipt of, and to the extent specified in paragraph (E) of your certificate in the form of Annex 2 hereto, delivered to RBS Citizens, National Association, 20 Cabot Road, Mail Stop MMF470, Medford, Massachusetts 02155, Attn: International Department. With respect to a C-Drawing certified by you to have been made in respect of interest payable on an Interest Payment Date (as defined in the Trust Agreement) as a scheduled periodic payment of interest on the Bonds or as a portion of the Purchase Price of Bonds being purchased pursuant to Section 305 of the Trust Agreement, if you shall not have received, within five (5) calendar days after any such payment in respect to a C-Drawing, notice from the Bank to the effect that an "Event of Default

Irrevocable Direct Pay Letter of Credit
No. S906001
Page 5 of 19

under the Reimbursement Agreement has occurred and is continuing, and the Letter of Credit will not be reinstated as of the date hereof", then the Interest Component shall be reinstated automatically, as of the close of business on such fifth (5th) calendar day, to the amount stated in paragraph (H)(i) of the Certificate C submitted in connection with such C-Drawing.

Only you or your successor as Trustee may make a drawing under this Letter of Credit. Upon the payment to you or your account of the amount specified in a sight draft drawn hereunder, the Bank shall be fully discharged of its obligation under this Letter of Credit with respect to such sight draft, and the Bank shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such sight draft to you or any other person who may have made to you or who makes to you a demand for payment of principal of or interest on any Bonds. By paying to you an amount demanded in accordance herewith, the Bank makes no representation as to the correctness of the amount demanded.

This Letter of Credit applies only to the payment of principal, the portion of Purchase Price of the Bonds corresponding to principal, and up to 40 days' interest (computed as aforesaid) due on the Bonds, on or prior to the termination or expiration of this Letter of Credit, and does not apply to any principal which may be payable with respect thereto after such date.

Notwithstanding any other provision herein, the Bank's commitment under this Letter of Credit shall terminate in full at, and any draft to be drawn hereinafter must be drawn and presented before, the close of business of the Bank on June 10, 2011. This Letter of Credit shall automatically terminate prior to the expiry dates specified above upon the earliest of (a) the close of business of the Bank on the fifteenth (15th) Business Day following the date Notice of Default in the form attached hereto as Annex 3 is received by you from the Bank notifying you of the occurrence and continuance of an Event of Default under the Reimbursement Agreement; (b) the honoring by the Bank of the final drawing available to be made hereunder; (c) receipt by the Bank of a certificate purportedly signed by an Authorized Officer stating:

"(i) The conditions precedent for the acceptance of [an Alternate Credit Facility] [a Liquidity Facility] [a Self-Liquidity Arrangement] have been satisfied, (ii) the Trustee has accepted the [Alternate Credit Facility] [Liquidity Facility] [Self-Liquidity Arrangement], and (iii) on the effective date of the Alternate Credit Facility, and after receipt by RBS CITIZENS, NATIONAL ASSOCIATION of this certificate, RBS CITIZENS, NATIONAL ASSOCIATION Irrevocable Direct Pay Letter of Credit No. S906001 shall terminate;"

or (d) receipt by the Bank of a certificate purportedly signed by an Authorized Officer stating that no Bonds remain Outstanding; or (e) one (1) Business Day after the Conversion Date (as defined in the Trust Agreement) of the Series 2008 Bonds. This Letter of Credit shall be promptly surrendered by you to the Bank upon its expiration or termination as specified above.

The Principal Component of this Letter of Credit shall be reduced in an amount equal to any Optional Redemption or any other payment of principal of the Series 2008 Bonds pursuant to the Trust Agreement. In the event of any Optional Redemption or any other payment of principal on the Series 2008 Bonds, you shall send the notice in the form of Annex 4 hereto.

Irrevocable Direct Pay Letter of Credit
No. S906001
Page 6 of 19

Except as herein specifically otherwise provided, this Letter of Credit shall be subject to the International Standby Practices (ISP 98) International Chamber of Commerce Publication 590 ("ISP 98"), excluding Article 3.14. This Letter of Credit shall be deemed to be issued under the laws of the State of New Hampshire and shall, as to matters not governed by ISP 98, be governed by and construed in accordance with the internal laws (as opposed to conflicts of law provisions) of said state.

This Letter of Credit may be transferred in whole but not in part one or more times to another party within the United States who has succeeded you as Trustee under the Trust Agreement by completing the transfer form attached hereto as Annex 5 and sending it to RBS Citizens, National Association, 20 Cabot Road, Mail Stop MMF470, Medford, Massachusetts 02155, Attn: International Department. The original of this Letter of Credit and any amendments thereto must accompany the request in order that the transfer when effected may be endorsed thereon. The Bank's transfer fee of One Thousand Five Hundred Dollars (\$1,500.00) (to be paid by the Borrower) must also accompany your request to the Bank. To the extent that the ISP 98 is inconsistent with the transfer provisions contained in this paragraph, the ISP 98 shall not apply thereto.

Except as otherwise provided herein, all notices and other communications provided for herein shall be by express courier, electronic teletransmission (including facsimile transmission), certified mail or delivery in person to an officer of the intended recipient at the address specified below its name on the signature page or first page hereof. All notices and other communications shall be deemed to have been duly given when received.

[SIGNATURE PAGE FOLLOWS]

Irrevocable Direct Pay Letter of Credit
No. S906001
Page 7 of 19

This Letter of Credit sets forth in full the undertaking of the Bank, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds).

RBS CITIZENS, NATIONAL ASSOCIATION

By: _____
Navin Bhojani, Its Duly
Authorized Vice President

By: _____
Stephen W. McAleer, Its Duly
Authorized Vice President

CERTIFICATE A
CERTIFICATE FOR "A-DRAWING"

DATE: _____

RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road, Mail Stop MMF470
Medford, MA 02155
Attn: International Department

Re: Irrevocable Direct Pay Letter of Credit No. S906001

The undersigned, a duly Authorized Officer of CHITTENDEN TRUST COMPANY (the "Trustee") hereby certifies to RBS CITIZENS, NATIONAL ASSOCIATION (the "Bank") that:

- (A) The Trustee is the Trustee under the Trust Agreement for the holders of the Bonds.
- (B) The Trustee is making a drawing under the above referenced Letter of Credit in the amount of \$_____ with respect to the payment of the portion of the Purchase Price of the Bonds corresponding to the principal amount thereof, which Bonds are to be purchased pursuant to Section 305 of the Trust Agreement. (Cross out any inapplicable portion).
- (C) The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above referenced Letter of Credit in respect of the portion of the Purchase Price of Bonds corresponding to the principal amount thereof.
- (D) The amount demanded hereby does not include any amount in respect of the purchase of any existing University Bonds or Pledged Bonds.
- (E) Upon receipt by the undersigned of the amount demanded hereby, (1) the undersigned will apply the same directly to the payment when due of the principal amount owing on account of the purchase of the Bonds pursuant to the Trust Agreement, (2) no portion of said amount shall be applied by the undersigned for any other purpose, and (3) no portion of said amount shall be commingled with other funds held by the undersigned, other than other moneys held in the Credit Facility Purchase Account established by the Trust Agreement.
- (F) Pursuant to Section 305 of the Trust Agreement, Bonds in the aggregate principal amount of \$_____ have actually been delivered to the undersigned or have been deemed delivered to the undersigned.
- (G) The Bonds referred to in Paragraph F above have been pledged to the Bank pursuant to the terms of the Pledge Agreement and, if said Bonds have not been delivered to the Bank, the Trustee or the Remarketing Agent (as that term is defined in the Trust Agreement) holds said Bonds as agent for the Bank.

As used herein, the terms "Trust Agreement", "Bonds", "University Bonds", "Pledged Bonds", "Purchase Price" and "Pledge Agreement" have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day
of _____.

Chittenden Trust Company, as Trustee

By: _____
Title: _____

cc: Norwich University

CERTIFICATE B
CERTIFICATE FOR "B-DRAWING"

DATE: _____

RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road, Mail Stop MMF470
Medford, MA 02155
Attn: International Department

Re: Irrevocable Direct Pay Letter of Credit No. S906001

The undersigned, a duly Authorized Officer of CHITTENDEN TRUST COMPANY (the "Trustee") hereby certifies to RBS CITIZENS, NATIONAL ASSOCIATION (the "Bank") that:

- (A) The Trustee is the Trustee under the Trust Agreement for the holders of the Bonds.
- (B) The Trustee is making a drawing under the above-referenced Letter of Credit in the amount of \$_____ with respect to the payment of the principal of the Bonds, which amount has become due and payable pursuant to the Trust Agreement, upon [maturity, redemption or acceleration] of the Bonds. (Cross out any inapplicable portion).
- (C) The amount demanded hereby does not include any amount in respect of the principal amount of any Pledged Bonds or any University Bonds.
- (D) The amount demanded hereby together with the aggregate of all prior payments made pursuant to B-Drawings under the above-referenced Letter of Credit, does not exceed _____ (\$_____).
- (E) The amount demanded hereby does not exceed the portion of the Stated Amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect to the principal of the Bonds.
- (F) Upon receipt by the undersigned of the amount demanded hereby, (1) the undersigned will apply the same directly to the payment when due of the principal amount owing on account of the Bonds pursuant to the Trust Agreement, (2) no portion of said amount shall be applied by the undersigned for any other purpose, and (3) no portion of said amount shall be commingled with other funds held by the undersigned.
- (G) The amount demanded hereby when applied to payment of the principal owing on the Bonds [will not constitute the final payment of the principal on the Bonds] [will constitute the final payment of principal on the Bonds]. (Cross out the inapplicable portion).

As used herein, the terms "Trust Agreement", "Bonds", "University Bonds", "B-Drawing", "Pledged Bonds", "Reimbursement Agreement" and "Stated Amount" have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

Chittenden Trust Company, as Trustee

By: _____
Title: _____

cc: Norwich University

CERTIFICATE C
CERTIFICATE FOR "C-DRAWING"

DATE: _____

RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road, Mail Stop MMF470
Medford, MA 02155
Attn: International Department

Re: Irrevocable Direct Pay Letter of Credit No. S906001

The undersigned, a duly Authorized Officer of CHITTENDEN TRUST COMPANY (the "Trustee") hereby certifies to RBS CITIZENS, NATIONAL ASSOCIATION (the "Bank") that:

- (A) The Trustee is the Trustee under the Trust Agreement for the holders of the Bonds.
- (B) The Trustee is making a drawing under the above referenced Letter of Credit in the amount of \$_____ with respect to the payment of [choose one]:
- (i) the portion of the Purchase Price corresponding to the interest on Bonds which are to be purchased pursuant to Section 305 of the Trust Agreement;
 - (ii) interest on the Bonds, due and payable on an Interest Payment Date (as defined in the Trust Agreement) as a scheduled periodic payment of interest on the Bonds; or
 - (iii) interest on the Bonds, due and payable upon redemption of the Bonds pursuant to Section 301 of the Trust Agreement, or upon acceleration of the Bonds under Section 802 of the Trust Agreement.
- (C) The amount demanded hereby does not exceed the amount available on the date hereof to be drawn under the above-referenced Letter of Credit in respect of interest on the Bonds.
- (D) The amount demanded hereby does not include any portion of the Stated Amount in respect of interest on any University Bonds or Pledged Bonds.
- (E) Upon receipt by the undersigned of the amount demanded hereby, (1) the undersigned will apply the same directly to the payment when due of the [interest owing on account of the Bonds pursuant to the Trust Agreement] [portion of the Purchase Price of the Bonds pursuant to Section 305 of the Trust Agreement corresponding to interest thereon] (Cross out any inapplicable portion), (2) no portion of said amount shall be applied by the undersigned for any other purpose, and (3) no portion of said amount shall be commingled with other funds held by the undersigned.
- (F) In the case of a drawing being made to pay the portion of the Purchase Price of Bonds being purchased pursuant to Section 305 of the Trust Agreement corresponding to interest thereon, the Trustee shall release the proceeds of this drawing only to the extent it has received Bonds in an aggregate principal amount equal

to the amount of proceeds of the A-Drawing accompanying this drawing and which are being released by the Trustee.

(G) In the case of a drawing being made pursuant to any maturity, redemption, or acceleration of Bonds, the undersigned is making a simultaneous B-Drawing to pay the principal of all of the Bonds which are being redeemed, or the maturity of which has come due or been accelerated.

(H) The C-Drawing made hereunder has been made [choose one]:

- (i) In respect of interest payable on an Interest Payment Date as a scheduled periodic payment of interest on the Bonds or as a portion of the Purchase Price of Bonds being purchased pursuant to Section 305 of the Trust Agreement, and the Interest Component of the Letter of Credit should be reinstated, subject to the conditions of the terms of the Letter of Credit, to \$ _____, being an amount equal to 40 days' interest (computed at the rate of 12% per annum on the basis of a 365 day year, on the outstanding Principal Component of \$ _____.
- (ii) In respect to interest on the Bonds upon maturity, redemption, or acceleration, and accordingly, no reinstatement shall be made to the Interest Component or otherwise to the Stated Amount as a result of this C-Drawing.

As used herein, the terms "Trust Agreement", "Bonds", "University Bonds", "Pledged Bonds", "Purchase Price", "A-Drawing", "B-Drawing", "C-Drawing", "Interest Component", "Principal Component" and "Stated Amount" have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day of _____.

Chittenden Trust Company, as Trustee

By: _____
Title: _____

cc: Norwich University

ANNEX 1
SIGHT DRAFT

Date: _____

FOR VALUE RECEIVED

Pay at sight to:

Chittenden Trust Company, as Trustee

U.S.
(U.S. \$ _____)

Charge to the account of RBS CITIZENS, NATIONAL ASSOCIATION

Irrevocable Direct Pay Letter of Credit No. S906001
dated June 11, 2008 (the "Letter of Credit")

To: RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road, Mail Stop MMF470
Medford, MA 02155
Attn: International Department

The sum drawn does not exceed the Stated Amount, as reduced and reinstated through the date hereof, as provided in the Letter of Credit.

Chittenden Trust Company, as Trustee

By: _____
Authorized Officer

The signature below constitutes an endorsement of this Sight Draft:

Chittenden Trust Company, as Trustee

By: _____
Authorized Officer

ANNEX 2
CERTIFICATE FOR REINSTATEMENT OF PRINCIPAL COMPONENT

DATE:

RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road, Mail Stop MMF470
Medford, MA 02155
Attn: International Department

Re: Irrevocable Direct Pay Letter of Credit No. S906001

Gentlemen:

The undersigned, a duly Authorized Officer of CHITTENDEN TRUST COMPANY (the "Trustee"), hereby certifies to RBS CITIZENS, NATIONAL ASSOCIATION (the "Bank") that:

(A) The Trustee is the Trustee under the Trust Agreement for the holders of Bonds, and is authorized to act as paying agent for the Bonds.

(B) The Trustee previously made an A-Drawing on _____ [insert date] under the Letter of Credit in the amount of \$_____ and such amount has not been reinstated under the Principal Component of the Letter of Credit.

(C) The undersigned has not received notice from RBS Citizens, National Association (the "Bank") that an Event of Default has occurred under the Reimbursement Agreement dated as of June 1, 2008 (the "Reimbursement Agreement"), between Norwich University (the "Account Party") and the Bank.

(D) The Trustee has either (i) received notice from the Bank that the Bank received a payment in reimbursement of all or part of such A-Drawing or (ii) the Trustee has given irrevocable notice to the Bank, on or prior to 11:00 p.m. Boston, Massachusetts time on the date hereof, being a date on which the Trustee must give notice that Bank Bonds (as defined in the Trust Agreement) are being remarketed, that the Trustee (a) has received in cash a payment for the Bank Bonds being remarketed, (b) is holding such cash payment for benefit of the Bank and (c) will deposit such cash payment in an account the Bank maintains with the Trustee or deliver such cash payment to the Bank immediately by federal funds wire transfer.

(E) By filing of this Certificate, you shall reinstate the Principal Component in an amount equal to \$_____, being (i) the amount of the cash payment received by the Bank in reimbursement of such A-Drawing or (ii) the amount of the cash payment specified in the notice referred to in paragraph D hereof as being received from the purchase of the Bank Bonds being remarketed, or the aggregate of any combination resulting from the operation of the foregoing clauses (i) and (ii), but in any case not in excess of the principal amount of Bonds outstanding at the time of such reinstatement.

As used herein, the terms "Trust Agreement", "Bonds", "Bank Bonds" and "Principal Component" have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the _____ day
of _____.

Chittenden Trust Company, as Trustee

By: _____
Title: _____

cc: Norwich University

ANNEX 3
DEFAULT NOTICE

Registered Mail
Return Receipt Requested/Overnight Courier
_____, as Trustee

Attention: Corporate Trust Administration

Re: Irrevocable Direct Pay Letter of Credit No. S906001
Occurrence of Event of Default under the Reimbursement
Agreement dated as of June 1, 2008, between
Norwich University and RBS Citizens, National Association

Gentlemen:

You are hereby notified that an Event of Default under Section 7.1 of the above-referenced Reimbursement Agreement has occurred and is continuing and that acceleration of the Bonds is hereby demanded, and that the Letter of Credit will not be reinstated as of the date hereof.

RBS Citizens, National Association

By: _____
Title: _____

cc: RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road, Mail Stop MMF470
Medford, MA 02155
Attn: International Department

Norwich University

ANNEX 4

CERTIFICATE FOR NOTICE OF OPTIONAL REDEMPTION OR OTHER PAYMENT
OF PRINCIPAL OF THE SERIES 2008 BONDS AND
REDUCTION OF PRINCIPAL COMPONENT OF LETTER OF CREDIT

DATE: _____

RBS CITIZENS, NATIONAL ASSOCIATION
20 Cabot Road, Mail Stop MMF470
Medford, MA 02155
Attn: International Department

Re: Irrevocable Direct Pay Letter of Credit No. S906001

Ladies and Gentlemen:

The undersigned, a duly Authorized Officer of CHITTENDEN TRUST COMPANY (the "Trustee"), hereby certifies to RBS CITIZENS, NATIONAL ASSOCIATION (the "Bank") that:

(A) The Trustee is the Trustee under the Trust Agreement for the holders of Bonds, and pursuant to Section 901 of the Trust Agreement, is authorized to act as Trustee for the Bonds.

(B) That the University has made an Optional Redemption or other payment of principal of the Series 2008 Bonds of the principal pursuant to the Trust Agreement in the amount of _____ Dollars (\$_____) (the "Principal Payment Amount").

(C) By filing of this Certificate, you shall reduce the Principal Component of the Letter of Credit in an amount equal to the Principal Payment Amount.

As used herein, the terms "Trust Agreement", "Bonds" and "Principal Component" have the respective meanings assigned to such terms in the above-referenced Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of the ____ day of _____, 20__.

Chittenden Trust Company, as Trustee

By: _____
Title: _____

ANNEX 5
TRANSFER FORM

DATE:

Re: Irrevocable Direct Pay Letter of Credit No. S906001

Ladies and Gentlemen:

For value received the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)
(Address)

all rights of the undersigned beneficiary to draw under the above Letter of Credit in its entirety. The transferee has succeeded the undersigned as Trustee under the Trust Agreement (as defined in the Letter of Credit).

By this transfer, all rights of the undersigned beneficiary in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary in such Letter of Credit, including sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof and forward it directly to the transferee with your customary notice of transfer.

Very truly yours,

Signature of Beneficiary
Signature Authenticated
Bank's Seal Required

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APPENDIX G

Summary of Certain Provisions of the Reimbursement Agreement

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The following is a summary of certain provisions of the Reimbursement Agreement pursuant to which the Letter of Credit will be issued. This summary is not a complete recital of the terms of the Reimbursement Agreement or the documents that secure the Reimbursement Agreement and reference is made to the Reimbursement Agreement and those documents in their entirety. **The Bank and the University may, by mutual agreement, and without the consent of any other parties, amend or otherwise change any of the provisions of the Reimbursement Agreement at any time while the Letter of Credit is outstanding.**

Any reimbursement agreement pursuant to which an Alternate Credit Facility is issued may have terms substantially different from those of the Reimbursement Agreement. The rights and obligations of the parties to the Reimbursement Agreement and the documents that secure the Reimbursement Agreement do not extend to the Trustee or to the Bondholders.

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in the Reimbursement Agreement, the following terms have the following respective meanings. Any terms not herein defined shall have the meanings ascribed to them in the Letter of Credit, the Trust Agreement, or the Loan Agreement. Any accounting term used but not specifically defined herein shall be construed in accordance with GAAP. The definition of each agreement, document, and instrument set forth in this Section 1.1 shall be deemed to mean and include such agreement, document, or instrument as amended, restated, or modified from time to time:

"Accounts Receivable" has the meaning assigned to it in the Vermont Uniform Commercial Code.

"Additional Termination Date" shall mean such other termination date following the Original Termination Date as hereinafter defined, of the Letter of Credit, as may be granted by the Bank in its sole and absolute discretion.

"Adjusted Unrestricted Net Assets" means, at any time, the market value of unrestricted net assets, excluding any amounts reflecting the market value of any Hedging Obligation, and less (i) the Adjusted Value of Plant (only if a positive number) and (ii) the value of any collateral securing Indebtedness (whether Long Term Indebtedness or Short Term Indebtedness) and Hedging Obligations. For purposes of Adjusted Unrestricted Net Assets, "Adjusted Value of Plant" is equal to property, plant and equipment, net of depreciation, minus Long Term Indebtedness.

"Affiliate" means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with the University; and "control" means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agency" has the meaning assigned to it in the Recital Clauses of the Reimbursement Agreement.

"Alternate Credit Facility" has the meaning assigned to it in the Trust Agreement.

"Alternate Liquidity Facility" has the meaning assigned to it in the Trust Agreement.

"Anti-Terrorism Law" means any laws relating to terrorism or money laundering including Executive Order No. 13224 and the USA Patriot Act.

"Bank" has the meaning assigned to it in the opening paragraph of the Reimbursement Agreement and where applicable includes any participant in the Reimbursement Agreement with the Bank.

"Bank Bond Rate" means the interest rate as set forth in Section 2.3(b) hereof.

"Bank Bonds" has the meaning assigned to it in the Trust Agreement.

"Bank's Inspector" means such person or entity as the Bank may, at the University's expense, appoint to serve as an inspector for purposes of Section 5.19 of the Reimbursement Agreement.

"Bond Counsel" means Sidley Austin LLP, or any other nationally recognized Bond Counsel reasonably acceptable to the Bank.

"Blocked Person" has the meaning as set forth in Section 4.24 of the Reimbursement Agreement.

"Bonds" means the Series 2008 Bonds.

"Business Day" means any day of the year other than (i) a Saturday, Sunday or legal holiday, (ii) any day on which banks located in any city in which the principal corporate trust office of the Trustee and, if applicable, the Remarketing Agent, or the payment office of the Bank, are located are required or authorized to remain closed, (iii) any day on which banks located in New Hampshire, Vermont, Massachusetts or New York are required or authorized to remain closed, or (iv) any day on which the New York Stock Exchange or The Depository Trust Company is closed.

"Capital Expenditure" means any cash expenditure made for the purpose of acquiring or constructing fixed assets, real property or equipment which, in accordance with generally accepted accounting principles, would be added as a debit to the property, plant and equipment fund of the Person making such expenditure (excluding normal replacements and maintenance which are properly charged to current operations or replacements and maintenance which are payable from the proceeds of insurance received by the University).

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

"Completion Date" means the date of completion with respect to the Project; provided, however, that such date shall be no later than September 30, 2009.

"Continuing Disclosure" means disclosure meeting the requirements of Section 5.13 of the Loan Agreement.

"Date of Issuance" means the date the Bank issues the Letter of Credit.

"Debt Service" means for any specified period of time, interest expense, plus current maturities of long term debt, required principal payments on all debt including capital lease obligations, letter of credit fees and related expenses for such period.

"Debt Service Coverage Ratio" means the ratio of Income Available for Debt Service to Debt Service.

"Default Rate" means a variable rate equal to the Prime Rate plus two percent (2%).

"Determination of Taxability" means (i) the taking of any action by the University, or the failure of the University to take any action affirmatively required of it hereunder, which would cause the interest on any Bonds to be includable in the gross income of any Bondholders for federal income tax purposes, or (ii) any change in the law or the taking or omission to take any action by any person outside the control of an University which cause the interest on any such Bonds to be included in the gross income of any Bondholders for federal income tax purposes, or (iii) the taking or omission to take any action by the University which causes such University no longer to be an organization described in Section 501(c)(3) of the Code, and as the result of the occurrence of (i), (ii) or (iii) above, one or more determinations is made the cumulative effect of which is that the interest on any such Bonds is includable in the gross income of any Bondholder for federal income tax purposes, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

- (a) the date which is forty five (45) days after the date any Bondholder has determined that the interest income on any such Bonds does not qualify as exempt interest for any of the reasons set forth above, and there is delivered to the Trustee and the University a written opinion to that effect of Bond Counsel, unless within thirty (30) days of receipt of notice from the Trustee that the

Trustee has received such an opinion, the University causes a contrary opinion of Bond Counsel to be delivered to the Trustee, in which event (b) below shall apply; or

(b) the date on which the Trustee receives written notice of a final and non-appealable judgment of any federal court or a final and non-appealable determination, decision or decree by the Internal Revenue Service, in any case, to the effect that the interest on any such Bonds is includable in the gross income of the bondholders for federal income tax purposes for any of the reasons set forth above.

"Dollars" and "\$" means dollars in the lawful currency of the United States of America.

"Drawing" means a Letter of Credit Disbursement.

"Environmental Law" means any federal, state, or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability upon a person in connection with the use, release or disposal of any hazardous toxic or dangerous substance, waste or material.

"ERISA" means the Employee Retirement Income Security Act of 1974, (29 U.S.C. §1001, et. seq.), as amended.

"Event of Default" means any Event of Default defined in Article VII hereof.

"Executive Order No. 13224" means the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

"Facility" means the University's Real Property and the improvements thereon, including furnishings and equipment.

"Financial Officer" means, with respect to the University, its Chief Financial Officer or Treasurer.

"Fiscal Year" of the University means the twelve months ending on May 31 in any calendar year, or such other twelve month period as the University adopts as its fiscal year in the future.

"GAAP" means generally accepted accounting principles and practices in the United States in effect from time to time.

"Gross Receipts" means all receipts, revenues, income and other moneys received by or on behalf of the University, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of the Property, including insurance and condemnation proceeds with respect to the Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, Accounts Receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

"Guaranty" shall mean all obligations of the University guaranteeing in any manner, whether directly or indirectly, any obligation of any other Person which would, if such other Person were the University, constitute Indebtedness under the Agreement, unless the obligation of such other Person is other than for the payment of a sum certain or reasonably ascertainable

"Hazardous Materials" means, without limitation, asbestos, gasoline, petroleum products, explosives, radioactive materials, polychlorinated biphenyls, chemical liquids, or any other solid, liquid or gaseous materials, or related or similar materials, or any other substance or material defined as a hazardous or toxic substance, material or waste by any applicable federal, State or local law, ordinance, rule, regulation or administrative order.

"Hedging Obligation" means an agreement, arrangement or contract entered into in order to hedge the interest payable on all or a portion of any Indebtedness, which agreement, arrangement or contract may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar) and which agreement, arrangement or contract does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Income Available for Debt Service" shall mean, with respect to the University, as to any period of time, net income (including investment income, gifts and bequests, but excluding donor restricted funds and the income thereon to the extent restricted by the donor thereof to other than debt service or operating expenses), or excess of revenue over expenses before depreciation, amortization and interest, as determined in accordance with GAAP consistently applied; provided, that no determination thereof shall take into account (i) any revenue or expense of any Person which is not the University, (ii) any gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not in the ordinary course of business, (iii) the net proceeds of insurance (other than business interruption insurance) and condemnation awards, (iv) any extraordinary gain or loss as defined and allowed under GAAP, (v) unrealized gains or losses, (vi) write-downs in investment assets for other than temporary declines in value, and provided further, that realized gains and losses on investment assets shall be calculated and included in net income, or excess revenue over expense, based upon the original acquisition cost of each asset and not upon the original acquisition cost as reduced pursuant to (iv) above, or (vii) unrealized gains or losses on Hedging Obligations.

"Indebtedness" means all obligations for payments of principal and interest with respect to money borrowed, incurred or assumed by the University, including Guaranties, purchase money mortgages, financing or capital leases, installment purchase contracts or other similar instruments in the nature of a borrowing by which the University will be unconditionally obligated to pay; provided that Indebtedness shall not include any Hedging Obligations. Nothing in this definition or otherwise shall be construed to count Indebtedness more than once.

"Initial Stated Amount" means \$79,228,384.00, the amount available to be drawn under the Letter of Credit as of the Date of Issuance as set forth therein.

"Interest Coverage Requirement" means the amount equal to forty (40) days accrued interest at the Maximum Bond Interest Rate on the outstanding principal amount of the Series 2008 Bonds.

"Interest Drawing" means a C-Drawing as defined in the Letter of Credit.

"Interest Period" means the period commencing on (and including) the date hereof (the "Start Date") and ending on (but excluding) the date which numerically corresponds to such date one month later, and thereafter, each one month period ending on the day of such month that numerically corresponds to the Start Date. If an Interest Period is to end in a month for which there is no day which numerically corresponds to the Start Date, the Interest Period will end on the last day of such month. Notwithstanding the date of commencement of any Interest Period, interest shall only begin to accrue as of the date the initial LIBOR Advantage Loan is made hereunder.

"Investments" means all assets of the University, whether tangible or intangible which constitute stock, bonds, securities, security entitlements, investments, or endowment funds, and the proceeds thereof.

"Issuer" means the Vermont Educational and Health Buildings Financing Agency.

"Letter of Credit" means the letter of credit issued by the Bank pursuant to Article II of the Reimbursement Agreement.

"Letter of Credit Commitment" means the amount of the Letter of Credit as provided in Section 2.1 of the Reimbursement Agreement, subject to reduction as provided in the Letter of Credit.

"Letter of Credit Disbursement" means any payment or any disbursement made by or on behalf of the Bank pursuant to a drawing under the Letter of Credit.

"Letter of Credit Fee" means the annual Letter of Credit fee described in Section 2.2 of the Reimbursement Agreement.

"LIBOR Advantage Loan" means any loan, advance or unreimbursed Drawing the rate of interest applicable to which is based upon the LIBOR Advantage Rate.

"LIBOR Advantage Rate" and "LIBOR Rate" means, relative to any Interest Period, the offered rate for delivery in two London Banking Days of deposits of U.S. Dollars for a term coextensive with the designated Interest Period which the British Bankers' Association fixes as its LIBOR rate as of 11:00 a.m. London time on the day on which such Interest Period commences. If the first day of any Interest Period is not a day which is both a (i) Business Day, and (ii) a London Banking Day, the LIBOR Advantage Rate shall be determined by reference to the next preceding day which is both a Business Day and a London Banking Day. If for any reason the LIBOR Advantage Rate is unavailable and/or the Bank is unable to determine the LIBOR Advantage Rate for any Interest Period, the Bank may, at its discretion, either: (a) select a replacement index based on the arithmetic mean of the quotations, if any, of the interbank offered rate by first class banks in London or New York for deposits with comparable maturities or (b) accrue interest at a rate per annum equal to the Bank's Prime Rate as of the first day of any Interest Period for which the LIBOR Advantage Rate is unavailable or cannot be determined

"Licenses" means all licenses required by any of the states from which the University operates in connection with the operations of the University. The term "Licenses" includes without limitation any licenses issued by the Vermont Department of Education.

"Lien" means any mortgage, pledge, leasehold interest, security interest, choate or inchoate lien, judgment lien, easement, or other encumbrance on title, including, but not limited to, any mortgage or pledge of, security interest in or lien or encumbrance on any Property of the University which secures any Indebtedness or any other obligation of the University.

"Liquidity Facility" has the meaning assigned to it in the Trust Agreement.

"Loan Agreement" has the meaning assigned to it in the Recital clauses.

"London Banking Day" means a day on which dealings in US dollar deposits are transacted in the London interbank market.

"Long Term Indebtedness" means all Indebtedness, other than Short Term Indebtedness, for any of the following:

- (a) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of longer than one year;

- (b) Payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; and

- (c) Payments under installment purchase contracts having an original term in excess of one year.

"Material Adverse Effect" means a material adverse effect on any of (i) the operations, business, assets, properties or conditions (financial or otherwise) of the University, (ii) the ability of the University to perform any of its obligations under any Reimbursement Document or Related Document to which it is a party, (iii) the legality, validity or enforceability of the Reimbursement Agreement or any other Reimbursement Document or Related Document, (iv) the rights and remedies of the Bank or the Trustee under any Reimbursement Document or Related Document, or (v) the validity, perfection or priority of a Lien in favor of the Bank or the Trustee for the benefit of the Bondholders.

"Maximum Bank Bond Interest Rate" has the meaning assigned to it in the Trust Agreement.

"Maximum Bond Interest Rate" has the meaning assigned to it in the Trust Agreement.

"Officer's Certificate" means a certificate signed by the Chairperson of the Board of Trustees, the President, Chief Executive Officer, Treasurer or Chief Financial Officer of the University.

"Original Termination Date" shall mean, with respect only to the Letter of Credit, June 10, 2011.

"PBGC" means the Pension Benefit Guaranty Corporation created by Section 4002(a) of ERISA (29 U.S.C. §1302(a)).

"Permitted Encumbrances" means those Liens and encumbrances permitted under Section 5.2 of the Reimbursement Agreement.

"Person" means any natural person, corporation (which shall be deemed to include business trust), limited liability company, association, partnership, firm, company, agency, business enterprise, political entity, or political subdivision thereof.

"Plan" means any plan defined in Section 4021 (a) of ERISA in respect of which the University or any Subsidiary of the University is an "employer" or a "substantial employer" as defined in Sections 3 (5) and 4001(a)(2) of ERISA, respectively.

"Plans and Specifications" has the meaning assigned to it in the Loan Agreement.

"Pledge Agreement" means that certain Bond Pledge Agreement dated as of June 1, 2008, executed by the University in favor of the Bank, and pledging to the Bank the University Bonds delivered to the Trustee for the benefit of the University in connection with any A-Drawing.

"Prime Rate" shall mean a rate per annum equal to the rate of interest announced by Bank in Manchester, New Hampshire from time to time as its "Prime Rate." Any change in the Prime Rate shall be effective immediately from and after such change in the Prime Rate. Interest accruing by reference to the Prime Rate shall be calculated on the basis of actual days elapsed and a 365-day year. The Borrower acknowledges that the Bank may make loans to its customers above, at or below the Prime Rate.

"Principal Drawing" means a B-Drawing as defined in the Letter of Credit.

"Project" has the meaning assigned to it in the Loan Agreement.

"Property" means any and all assets of the University, any land, leasehold interests, buildings, machinery, equipment, hardware, and inventory of the University wherever located and whether now owned or hereafter acquired, any and all rights, titles and interests in and to any and all fixtures, and property whether real or personal, tangible or intangible and wherever situated and whether now owned or hereafter acquired and shall include all current assets, funds, endowments, revenues, receipts or other moneys, or right to receive any of the same, including, without limitation, Gross Receipts, accounts, Accounts Receivable, the Facility, the Project, contract rights and general intangibles, and all proceeds of all of the foregoing.

"Real Property" means individually and/or collectively as the context or facts may require, all land, building, fixtures and appurtenant rights owned by the University located in Northfield, Vermont, which consists of the core campus of the University, and certain abutting tracts of land, as more fully described on Exhibit C attached to the Reimbursement Agreement.

"Reimbursement Documents" means the Reimbursement Agreement, the Letter of Credit, the Security Agreement, the Pledge Agreement, and any other documents related thereto.

"Related Documents" means the Loan Agreement, the Trust Agreement, the Letter of Credit and any other agreement or document relating to the Series 2008 Bonds that is entered into by the University, delivered by the University to the Bank with respect to the Series 2008 Bonds, the Letter of Credit, or the Reimbursement Agreement.

"Remarketing Agent" has the meaning assigned to it in the Trust Agreement.

"Remarketing Drawing" means an A-Drawing as defined in the Letter of Credit.

"Reportable Event" means a "reportable event" described in Section 4043(b) of ERISA.

"Security Agreement" means the Security Agreement between the University and the Bank, dated as of June 1, 2008, granting the Bank a security interest in the University's Gross Receipts.

"Self-Liquidity Arrangement" has the meaning assigned to it in the Trust Agreement.

"Series 2008 Bonds" has the meaning assigned to it in the Recital Clauses of the Reimbursement Agreement.

"Short Term Indebtedness" means all Indebtedness, other than Long Term Indebtedness, for any of the following:

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

- (b) Payments under leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

- (c) Payments under installment purchase contracts having an original term of one year or less.

"Stated Amount" has the meaning assigned to it in the Letter of Credit.

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

"Term Loan" shall have the meaning ascribed to it in Section 2.3(c) of the Reimbursement Agreement.

"Termination Date" means the date which is the earlier of (i) the close of the Bank's business day on June 10, 2011 or (ii) such date on which the Trustee's right to draw on the Letter of Credit terminates as provided in the Letter of Credit.

"Trust Agreement" means the Trust Agreement between the Agency and the Trustee, dated as of June 1, 2008.

"Trustee" means Chittenden Trust Company.

"University" has the meaning assigned to it in the opening paragraph of the Reimbursement Agreement.

"University Counsel" means Dinse, Knapp & McAndrew, P.C.

"Unmatured Event of Default" means any occurrence, act or event that, with the giving of notice, the passage of time or both, would constitute an Event of Default.

"USA Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

Section 1.2 Certain Terms Defined in the Loan Agreement. Capitalized terms which are defined in the Loan Agreement or the Trust Agreement and not otherwise defined herein are used in the Reimbursement Agreement as defined in the Loan Agreement or the Trust Agreement as in force on the date of the Reimbursement Agreement.

Section 1.3 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ARTICLE II

ISSUANCE OF LETTER OF CREDIT

Section 2.1 Letter of Credit. At the request of the University, the Bank shall, subject to the terms and conditions hereof, issue the Letter of Credit substantially in the form of Exhibit "A" attached hereto (the "Letter of Credit") in the amount of \$79,228,384.00 for the account of the University and shall deliver the Letter of Credit to the Trustee. The Letter of Credit shall expire on the Termination Date, subject to earlier termination as provided in the Letter of Credit and/or subject to an extension in accordance with Section 2.11 hereof, as the case may be. The Bank shall make payments on the Letter of Credit from the Bank's own funds.

Section 2.2 Letter of Credit Fees. In consideration of the Bank's issuance of the Letter of Credit, the University shall pay to the Bank the following fees:

(a) The University shall pay on the Date of Issuance a fee of Thirty-Nine Thousand Six Hundred Fourteen Dollars and Twenty Cents (\$39,614.20), which is equal to five (5) basis points multiplied by the Original Stated Amount of the Letter of Credit.

(b) The University hereby agrees to pay to the Bank an annual Letter of Credit Fee in the amount of forty-five (45) basis points (0.45%) (the "Letter of Credit Fee") of the Stated Amount as of the Date of Issuance and each anniversary thereof. The Initial Letter of Credit Fee shall be payable as of the Date of Issuance prorated for the period from the Date of Issuance through September 30, 2008, and thereafter the Letter of Credit Fee shall be payable in equal quarterly installments, in advance, the first such installment to be due on October 1, 2008, and subsequent installments to be due on each January 1, April 1, July 1 and October 1 thereafter so long as the Letter of Credit remains outstanding with the final installment prorated for any period less than three (3) months. Each quarterly installment shall be based upon the Stated Amount as of the first day of the applicable calendar quarter. There shall be no refund of any portion of the Letter of Credit Fee in the event of the expiration, reduction, termination, or other modification of, or drawing under the Letter of Credit during the quarter following payment. The Letter of Credit Fee shall be calculated on the actual number of days elapsed on the basis of a 365 day year.

(c) The University hereby agrees to pay to the Bank a commercially reasonable fee upon each drawing under the Letter of Credit which shall be the amount established by the Bank from time to time in accordance with its usual banking practices. The drawing fee (also sometimes known as a reimbursement fee) currently is Two Hundred Dollars (\$200).

(d) The University hereby agrees to pay to the Bank a commercially reasonable fee in respect of each amendment of the Letter of Credit which shall be the amount established by the Bank from time to time in accordance with its usual banking practices. The amendment fee currently is Three Hundred Dollars (\$300).

(e) The University hereby agrees to pay to the Bank a fee in respect of each transfer of the Letter of Credit in accordance with its terms and as a condition thereto, a sum in such amount as shall be necessary to cover the costs and expenses of the Bank incurred in connection with such transfer.

Section 2.3 Reimbursement.

(a) The University agrees to reimburse or pay to the Bank on or before 2:00 p.m., New York City time, or one half hour after payment by the Bank, if later, on each date that any amount is paid under the Letter of Credit pursuant to a Principal Drawing, an Interest Drawing or a Remarketing Drawing (except in the case of Remarketing Drawings which are to be reimbursed as provided in subsection (c) below), a sum equal to the amount so drawn under the Letter of Credit plus (x) interest accrued from the date of any such Principal Drawing, Interest Drawing, or Remarketing Drawing, if any, on the amount so drawn under the Letter of Credit as determined pursuant to clause (i) of this subsection (a) of this Section 2.3, plus (y) any and all commercially reasonable charges and expenses which the Bank may pay or incur relative to such drawing under the Letter of Credit, plus (z) a fee upon each drawing as set forth in Section 2.2 (c). In addition, the University shall pay the following:

(i) Interest, payable on demand, on any and all amounts of any Principal Drawing, Interest Drawing and/or Remarketing Drawing not paid by the University when due under any Section of the Reimbursement Agreement from the date such amounts become due until payment in full, such interest at the rates set forth in Section 2.3(b) of the Reimbursement Agreement;

(ii) On demand, reasonable costs, fees and expenses incurred by the Bank in connection with the issuance, administration and maintenance of the Letter of Credit or the preparation or execution of any documents or opinions related thereto; and

(iii) On demand, any and all reasonable expenses incurred by the Bank in enforcing any of its rights under the Reimbursement Agreement, or any of the Reimbursement Documents.

(b) The University shall pay to the Bank, on demand, interest on the amount of any unreimbursed Interest Drawing or Principal Drawing at the applicable short term rate set forth below unless and until an Event of Default shall occur in which case the applicable interest rate to any such Drawing shall become the Default Rate set forth below upon the occurrence of an Event of Default. The University shall pay to the Bank interest on the amount of the unreimbursed Remarketing Drawings payable monthly upon the regularly scheduled Interest Payment Dates as set forth in the Trust Agreement and payable upon the date the Bonds are remarketed at a rate per annum calculated as follows, with the interest calculated upon such Drawing as follows:

<u>Term</u>	<u>Interest Rate</u>
Short Term	LIBOR Advantage Rate plus 1.50%, adjusting monthly
Term	LIBOR Advantage Rate Plus 1.75%, adjusting monthly
Default	Prime Rate Plus 2%, floating daily

For purposes of determination of the applicable interest rate, "Short Term" shall mean the first ninety (90) days following a Reimbursement Drawing, "Term" means the period of time after the first ninety (90) days following a Reimbursement Drawing and "Default" means the period of time after an Event of Default notwithstanding the fact that Short Term or Term may otherwise be applicable and whether or not the Bank has accelerated the payment of a Term Loan, or after maturity or after judgment has been rendered on a Term Loan.

(c) With respect to any Remarketing Drawing that results solely from the failure of the Remarketing Agent to remarket tendered Bonds pursuant to Section 305 of the Trust Agreement, and the Bank holds any Bonds, the principal portion of such Remarketing Drawing shall, provided no Event of Default under Section 7.1 has occurred, convert after ninety (90) days into a loan (the "Term Loan") for a term ending on the then applicable

Termination Date. The Term Loan shall constitute a loan and indebtedness of the Borrower to the Bank. Upon any such conversion of nonremarketed Bonds to a Term Loan, the Borrower shall, upon the request of the Bank, execute a promissory note and any collateral documentation acceptable to the Bank. The interest rate applicable to each Term Loan shall be as set forth in Section 2.3 (b) and the principal amount of each Term Loan shall be payable (i) upon demand for payment following the occurrence of an Event of Default hereunder; or (ii) in the event no Event of Default has occurred, monthly, in arrears, upon the first day of each month commencing with the first day of the first month following the Remarketing Drawing. The monthly payments of principal under a Term Loan shall be, at the University's option, either: (i) in an amount equal to one-twelfth of the amount set forth on Exhibit B to the Reimbursement Agreement for the applicable year, with the outstanding principal balance of the Term Loan being due and payable in full on the Termination Date; or (ii) in an amount equal to one-sixtieth of the outstanding principal amount of the Term Loan at the time of conversion to the Term Loan, with all principal and interest being due and payable on the first day of the sixtieth month following such conversion.

Section 2.4 Payment on Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day.

Section 2.5 Obligations Absolute.

(a) The obligations of the University under the Reimbursement Agreement shall be primary, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of the Reimbursement Agreement notwithstanding:

- (i) any lack of validity or enforceability of the Related Documents;
- (ii) any amendment to or waiver of or any consent to all or any provision of the Related Documents;
- (iii) the existence of any claim, set-off, defense or other right which the University, any entity owned (directly or indirectly) by the University or any entity that owns (directly or indirectly) any interest the University may have at any time against the Issuer, the Trustee or any other beneficiary or any transferee of the Letter of Credit (or any persons or entities for which the Trustee or any such beneficiary or any such transferee may be acting) or any other person or entity other than the Bank, whether in connection with the Reimbursement Agreement, the transactions contemplated herein or in the Related Documents, or in any unrelated transaction;
- (iv) any statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect unless the Bank acts in a grossly negligent manner or with willful misconduct in honoring a draw relative thereto;
- (v) any breach of contract or other dispute between the University and any Person;
- (vi) any payment by the Bank under the Letter of Credit against presentation of a sight draft or certificate which does not strictly comply with the terms of the Letter of Credit;
- (vii) any delay, extension of time, renewal, compromise or other indulgence or modification agreed to by the Bank, with or without notice to or approval by the University in respect of any of the University's indebtedness to the Bank under the Reimbursement Agreement;
- (viii) any exchange, release or nonperfection of any Lien in any collateral pledged or otherwise provided to secure any of the obligations contemplated herein or in any of the other Related Documents; or

- (ix) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

Section 2.6 [Reserved]

Section 2.7 The International Standby Practices, Consent, Etc.

(a) The International Standby Practices (ISP 98) International Chamber of Commerce Publication 590 ("ISP 98") shall be binding on the University and the Bank with respect to the Letter of Credit except as otherwise provided in the Letter of Credit and except to the extent otherwise from time to time agreed to by the Bank and the University in writing. The Bank shall not be responsible for the acts or omissions of the beneficiary of the Letter of Credit with respect to the Letter of Credit. In furtherance of, and not in limitation of the Bank's rights and powers under ISP 98, but subject to all other provisions of this Section 2.7, it is understood and agreed that absent gross negligence or willful misconduct by the Bank the Bank shall not have any liability for: (i) the genuineness of any signature; (ii) the form, sufficiency, accuracy, genuineness, falsification or legal effect of any draft, certification or other document required by the Letter of Credit or the authority of the person signing the same; (iii) the failure of any instrument to bear any reference or adequate reference to the Letter of Credit or the failure of any Persons to note the amount of any instrument on the reverse of the Letter of Credit or to surrender the Letter of Credit; (iv) the good faith or acts of any Person other than the Bank and its agents and employees; (v) the existence, form, sufficiency or breach of or default under any agreement or instrument (other than the Letter of Credit) of any nature whatsoever; (vi) any delay in giving or failure to give any notice, demand or protest; and (vii) any error, omission, delay in or nondelivery of any notice or other communication, however sent. The determination as to whether the required documents are presented prior to the expiration of the Letter of Credit and whether such other documents are in proper and sufficient form for compliance with the Letter of Credit shall be made by the Bank in its sole discretion, which determination shall be prima facie evidence of compliance. It is agreed that the Bank may honor, as complying with the terms of the Letter of Credit and the Reimbursement Agreement, any documents which appear on their face to be in accordance with the terms and conditions of the Letter of Credit, and signed or issued by the beneficiary thereof. Any action, inaction or omission on the part of the Bank under or in connection with the Letter of Credit or related instruments or documents, if in good faith and in conformity with such laws, regulations, usage of trade or commercial or banking customs as may be applicable, shall be binding upon the University, shall not place the Bank under any liability to the University, and shall not affect, impair or prevent the vesting of any of the Bank's rights or powers hereunder or the University's obligation to make full reimbursement.

(b) If the University, either in writing or orally (confirmed by either party in writing), requests or consents to any modification or extension of the Letter of Credit or waives failure of any draft, certificate or other documents to comply with the terms of the Letter of Credit, the Bank shall be deemed to have relied and be entitled to rely on such request, consent or waiver with respect to any action taken or omitted by the Bank pursuant to any such request, consent or waiver, and such extension, modification or waiver shall be binding upon the University.

Section 2.8 Security. As security for the payment of all Obligations of the University to the Bank under the Reimbursement Agreement and the Related Documents, the University (a) pledges to the Bank, and grants the Bank a security interest in: (i) pursuant to the Security Agreement, the University's Gross Receipts; and (ii) pursuant to the Pledge Agreement, the University's right, title and interest in and to the University Bonds delivered to the Trustee for the benefit of the University in connection with any A Drawing; and (b) agrees to enter into a negative pledge with regard to the University's Real Property and Investments as more fully set forth in Section 5.2 hereof.

Section 2.9 Release of Bank Bonds. Upon the University's reimbursement to the Bank of all amounts drawn under the Letter of Credit in accordance with Section 2.3 hereof, then so long as no Event of Default hereunder or under any Related Document exists, the Bank shall instruct the Trustee to release to the University or to the Remarketing Agent from the pledge and security interest created by the Pledge Agreement a principal amount of Bank Bonds equal to the amount of such reimbursement. No release by the Bank of Bank Bonds shall be construed as releasing the University from any of its obligations hereunder, including, without limitation, the University's obligations to pay interest to the Bank at the rate provided herein on the amount of any draw under the Letter of Credit for payment of the purchase price of such Bank Bonds and the University's obligation to pay the unreimbursed principal portion of any Reimbursement Drawing.

Section 2.10 Reinstatement of Letter of Credit.

(a) After any A Drawing, the Principal Component shall be reinstated upon delivery of a certificate in the form of Annex 2 to the Letter of Credit.

(b) With respect to an Interest Drawing made in respect of interest payable on an Interest Payment Date as a scheduled periodic payment of interest on the Bonds or as a portion of the purchase price of Bonds being purchased with the proceeds of a Reimbursement Drawing pursuant to Section 305 of the Trust Agreement, if the Trustee has not received, within five (5) calendar days after any payment in respect of an Interest Drawing, notice from the Bank to the effect that (i) an Event of Default hereunder has occurred, and (ii) the Letter of Credit will not be reinstated as of the date thereof, then the Interest Component will automatically be reinstated, as of the close of business on such fifth (5th) calendar day, to an amount which, subject to Section 2.12 below, shall be equal to 40 days' accrued interest (computed at the rate of twelve percent (12%) per annum on the basis of a Three Hundred Sixty Five (365) day year, notwithstanding the actual rate of interest borne from time to time by the Bonds) on the then applicable Principal Component. The Interest Component will not be reinstated for any Interest Drawing made to pay interest except as specified in the preceding sentence.

Section 2.11 Extension of the Credit Termination Date. No earlier than the first (1st) anniversary of the Date of Issuance and no earlier than two (2) years before any Additional Termination Date, as applicable, the University may request in writing to the Bank that the Bank, in its sole discretion, extend the Letter of Credit Termination Date for a period of one (1) year (or such other period of time as Bank may agree in its sole discretion). Any written request to the Bank for an extension of the term of the Letter of Credit shall be accompanied by a copy of the University's most recent annual financial statements audited by the University's independent public accountants, and a copy of the most recent updated budget results for the University's current fiscal year certified by the chief financial officer of the University. If the Bank notifies the University that the Bank will not extend the Letter of Credit or if the Bank does not respond to the University's request within ninety (90) days of receipt by the Bank of such request, then the Letter of Credit will expire in accordance with the terms hereof, without any extension.

Section 2.12 Change of Variable Rate: Amendment of Letter of Credit. If no Event of Default has occurred and is continuing at the time at which the University elects to change the rate mode of the Bonds pursuant to Section 209 of the Trust Agreement, if requested by the University in writing not fewer than forty-five (45) nor more than sixty (60) days prior to the date the proposed change to a different Interest Rate Period is to become effective, the Bank may, at its election, exercised in its sole discretion, issue an amendment to the Letter of Credit which will cover the number of days of interest which are required for that mode, together with any premium due on the Bonds during a Fixed Rate mode.

Section 2.13 Application of Funds. All payments received by the Bank from or on behalf of the University hereunder or pursuant to any of the other Related Documents shall be applied by the Bank: first, to the payment of amounts then due and owing by the University to the Bank hereunder or under the Related Documents; and, second, if following the return to the Bank of the Letter of Credit for cancellation and the payment to the Bank of any and all loans, obligations and liabilities owed by the University to the Bank, there remains any balance, such amounts shall be disbursed by the Bank following the Original Termination Date or Additional Termination Date, as applicable, to the University or such other person or persons as shall be legally entitled thereto.

Section 2.14 Substitution of Letter of Credit Bank. The University may, upon thirty (30) days written notice to the Bank, terminate the Letter of Credit and substitute another financial institution for the Bank at any time following the first anniversary of the issuance of the Letter of Credit. If the University's reason to terminate the Letter of Credit and substitute another banking institution for the Bank is due to the rating on the Bonds being lowered because the Bank's credit rating declines below Aa3/VMIG1 from Moody's Investors Service or is suspended, the Bank shall be given a reasonable opportunity to obtain a confirming letter of credit to reinstate the rating on the Bonds to at least Aa3/VMIG1. Upon the expiration of the notice period provided for above, the University shall cause the Letter of Credit to be delivered to the Bank for cancellation. Upon termination of the Letter of Credit under this Section 2.14, the University shall forthwith pay or reimburse the Bank for (a) the principal of and any accrued and unpaid interest outstanding hereunder and (b) any of the expenses incurred prior to

such termination and any other amounts due under the Reimbursement Agreement and theretofore not paid or reimbursed to the Bank.

ARTICLE III

OTHER CREDIT TERMS

Section 3.1 Payments. All payments to be made by the University to the Bank under the Reimbursement Agreement, whether on account of Letter of Credit Disbursements, any Term Loan, the Letter of Credit Fee, or other fees or any other amounts at any time owing to the Bank pursuant to the Reimbursement Agreement, shall be made in lawful currency of the United States by interbank transfer from accounts of the University on deposit with the Bank or by wire transfer of immediately available federal wire funds to the account of the Bank via Fed Wire. Routing No. 011500120, Letter of Credit # S906001, or to such other address or account as the Bank may have specified for such purpose in a written notice to the University. All such payments shall be made to the Bank not later than 2:00 p.m., New Hampshire time, on the date due. Funds received after that hour shall be deemed to have been received by the Bank on the next succeeding Business Day.

Section 3.2 Reimbursement of Certain Costs.

(a) All sums payable by the University under the Reimbursement Agreement, whether on account of principal, interest, fees, expenses, or otherwise, shall be paid in full, without any deduction or withholding whatsoever. In the event that the University is compelled by applicable law to make any such deduction or withholding, then it shall pay to the Bank such amount as will result in the receipt by the Bank of a net sum equal to the sum it would have received had no such deduction or withholding been required to have been made.

(b) If any change in any law or regulation, or in the interpretation of any law or regulation (including any request, guideline or policy whether or not having the force of law) by any court or administrative body shall either:

- (i) impose, modify or deem applicable any reserve, special deposit, premium or similar requirement against letters of credit issued by, or assets or collateral held by or deposits in or for the account of the Bank, or
- (ii) affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank based upon the existence of letters of credit, or similar contingent obligations, or
- (iii) impose on the Bank any other condition regarding the Reimbursement Agreement or the Letter of Credit or the collateral held therefor,

and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank of issuing or maintaining the Letter of Credit or of maintaining capital reserves above the levels required by law or regulation on the date of the Reimbursement Agreement, then, upon demand by the Bank, the University shall immediately pay to the Bank such additional amounts, (expressed as an increase of the Annual Letter of Credit fee as applicable), that shall be sufficient to compensate the Bank for the increased cost, together with interest from the later of the date the increased cost is first paid or incurred by the Bank, or sixty (60) days prior to the date of the certificate referenced in the next sentence until payment in full at the Bank Bond Rate. The Bank shall deliver a certificate to the University as to the additional amounts payable pursuant to this Section 3.2(b), showing the basis of the computation of additional costs.

The certificate shall, in the absence of manifest error, be conclusive evidence of the amount of the additional costs until such time as the parties agree that the additional costs are a different amount or the amount of the additional costs are determined by a governmental or regulatory body with competent jurisdiction. The protection of this Section 3.2(b) shall be available to the Bank regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed. In the event the Bank successfully contests the application of any such law, regulation or condition to the Letter of Credit, the Bank shall promptly

remit to the University the additional amounts paid pursuant to this Section, together with a pro rata portion of any interest paid by the University to the Bank pursuant to this Section.

Section 3.3 Indemnity.

(a) The University agrees to indemnify the Bank and hold it harmless from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the Bank may incur or suffer by reason of or in connection with the execution and delivery of or payment under the Letter of Credit unless such claims, damages, losses, liabilities, costs or expenses shall be caused by the gross negligence or willful misconduct of the Bank in performing its obligations under the Reimbursement Agreement or in making payment under the Letter of Credit. It is agreed that the following shall not be deemed gross negligence or willful misconduct of the Bank:

- (i) the Bank's reliance on documents presented to it in accordance with the terms of the Letter of Credit or the Reimbursement Agreement, whether or not any statement or any document presented pursuant to the Letter of Credit proves to be untrue, inaccurate, forged, fraudulent, invalid or insufficient in any respect, unless the Bank has actual knowledge of such defect in the statement or document, and
- (ii) any noncompliance with the terms of the Letter of Credit or the Reimbursement Agreement in an immaterial respect.

(b) The University agrees to indemnify and hold the Bank harmless from and against any and all claims, damages, losses, liabilities, cost or expenses including attorney's fees and disbursements, which the Bank may incur or which may be claimed against the Bank by any Person or entity:

- (i) by reason of any inaccuracy in any material respect, or any untrue statement or alleged untrue statement of any material fact, made by the University or its agent in connection with procuring the Letter of Credit, or by reason of the omission or alleged omission of the University or such agent to state a material fact necessary to make such statements, in the light of the circumstances under which they were made, not misleading; or
- (ii) resulting from any material breach of the University's representations or warranties under the Reimbursement Agreement or any Related Document, or nonperformance of any agreement or covenant on the part of the University under the Reimbursement Agreement or any Related Document not cured within any applicable grace period, or from any material misrepresentation in or omission from any certificate or other instrument furnished or to be furnished by the University under the Reimbursement Agreement or any Related Document.

(c) The University shall, upon demand by the Bank, reimburse the Bank for any reasonable legal fees or other expenses incurred in connection with investigating or defending against any matter for which a right of indemnification exists under this Section. Nothing in this Section 3.3 is intended to limit the University's obligations contained elsewhere in the Reimbursement Agreement. Without prejudice to the survival of any other obligation of the University under the Reimbursement Agreement, the indemnities and obligations of the University contained in this Section 3.3 shall survive the payment in full of amounts payable pursuant to Article II and the expiration or termination of the Letter of Credit.

Section 3.4 Acts of Trustee or Beneficiary.

(a) The University assumes all risks of the acts or omissions of the Trustee and any beneficiary or transferee of the Letter of Credit with respect to the Letter of Credit. Neither the Bank nor any of its officers or directors shall be liable or responsible for:

- (i) the use which may be made of the Letter of Credit or any acts or omissions of the Trustee and any beneficiary or transferee in connection with the Letter of Credit;

- (ii) the validity, sufficiency or genuineness of documents, or of any endorsement, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged, unless the Bank has actual knowledge of such defect in such document or endorsement;
- (iii) payment by the Bank against presentation of documents which do not strictly comply with the terms of the Letter of Credit in an immaterial manner, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or
- (iv) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit.

(b) Notwithstanding the provisions of Section 3.4(a) of the Reimbursement Agreement, the Bank shall be liable to the University, to the extent of any direct, as opposed to consequential damages suffered by the University which the University prove were caused by:

- (i) the gross negligence or willful misconduct of the Bank in determining whether a draft or certificate presented under the Letter of Credit complied with the terms of the Letter of Credit, or
- (ii) the Bank's gross negligence or willful failure in failing to make lawful payment under the Letter of Credit after the presentation to it by the Trustee or a successor trustee under the Trust Agreement of a draft and certificate strictly complying with the terms and conditions of the Letter of Credit. The Bank may accept documents that appear on their face to be in order, and may assume the genuineness and rightfulness of any signature thereon without responsibility for further investigation regardless of any notice or information to the contrary unless actually received by the Bank, provided, that if the Bank shall receive written notification from both the Trustee and the University that documents conforming to the terms of the Letter of Credit to be presented to the Bank are not to be honored, the Bank agrees that it will not honor such documents and the University shall indemnify and hold the Bank harmless from such failure to honor.

Section 3.5 LIBOR Rate Lending Unlawful. If the Bank shall determine (which determination shall, upon notice thereof to the University, be conclusive and binding on the University) that the introduction of, or any change in, or in the interpretation of, any law, rule, regulation or guideline, (whether or not having the force of law) makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for the Bank to make, continue or maintain any loan based upon the LIBOR Rate (a "LIBOR Rate Loan"), the obligations of the Bank to make, continue or maintain any such LIBOR Rate Loan shall, upon such determination, forthwith be suspended until the Bank shall notify the University that the circumstances causing such suspension no longer exist, and all LIBOR Rate Loans shall automatically convert into loans having an interest rate equal to the Bank's Prime Rate at the end of the then current Interest Period with respect thereto or sooner, if required by such law or assertion.

ARTICLE V

CERTAIN COVENANTS OF THE UNIVERSITY

So long as the Bank shall have liability under or in respect to the Letter of Credit, or any amounts payable to the Bank by the University remain unpaid, the University will comply with all covenants contained in all Reimbursement Documents and all Related Documents as if made directly to the Bank as of the date of the Reimbursement Agreement and as if made with respect to the Letter of Credit and the Reimbursement Agreement, and further covenants:

Section 5.1 Limitations on Loans and Acquisitions. The University shall not, directly or indirectly: (a) make, or commit to make, any advance, loan, extension of credit or capital contribution to any Person, or (b) acquire by purchase all or substantially all the business or assets, or stock or other evidence of beneficial ownership,

of any Person, except to the extent the University shall remain in compliance with Section 5.13 of the Reimbursement Agreement after such action.

Section 5.2 Limitations on Creation of Liens. The University will not create or allow any Lien to exist upon the Property except for Permitted Encumbrances as set forth on Exhibit D to the Reimbursement Agreement; (b) Liens in favor of the Bank; (c) Liens granted with the prior consent of the Bank; and provided further that in all such instances the University shall remain in compliance with Section 5.13 of the Reimbursement Agreement.

Section 5.3 Limitations on Incurrence of Indebtedness. Except to the extent that, after the incurrence of Indebtedness, the University remains in compliance with Section 5.13 hereof, the University will not create, assume, guarantee, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness other than (i) Indebtedness to the Bank or (ii) Indebtedness obtained with the prior written consent of the Bank. At least thirty (30) days prior to the incurrence of Indebtedness, the University shall provide the Bank with written notice thereof, describing the amount and terms of such Indebtedness and shall include in such notice a certificate of its Chief Financial Officer: (i) demonstrating compliance with Section 5.13 hereof, calculating Adjusted Unrestricted Net Assets and Income Available for Debt Service based on the University's most recent audited financial statements; and (ii) certifying that, at the time of the certificate and following incurrence of the Indebtedness, the University shall not be in default of any of its obligations hereunder.

Section 5.4 Capital Expenditures; Dispositions. The University will not make any Capital Expenditures at any time or expend any funds for plant improvements or renewal or replacement in any Fiscal year in an amount that would result on a pro forma basis in the University violating its ratio of Adjusted Unrestricted Net Assets to Total Long Term Indebtedness as more fully set forth in Section 5.13(b) of the Reimbursement Agreement, and the University shall not sell, lease, remove, transfer, assign, convey or otherwise dispose of any of its Property except to the extent that the University shall remain in compliance with Section 5.13 of the Reimbursement Agreement after such action.

Section 5.5 Consolidation, Merger, Sale or Conveyance. The University will not merge or consolidate with another Person in a transaction in which the University is not the surviving corporation, or sell or convey all or substantially all of its assets to another Person, except with the prior, written consent of the Bank; provided, however, that the University shall not undertake any merger or consolidation without providing the Bank with a certificate reflecting post-merger/consolidation compliance with the provisions of Section 5.13 of the Reimbursement Agreement and shall provide the Bank with the notice and certificate referenced in Section 5.3 of the Reimbursement Agreement (which certificate shall take into account the most recent audited financial statements of the other entity(ies) to the merger or consolidation in addition to the University's most recent audited financial statements).

Section 5.6 Delivery of Financial Statements, and Other Information. The University will furnish to the Bank copies of all financial statement certifications and budgets provided to any party pursuant to the Loan Agreement or the Trust Agreement. In addition, the University will furnish the Bank the following reports and financial statements:

(a) Annually, within one hundred fifty (150) days after the close of each fiscal year, audited financial statements of the University.

(b) Annual operating and capital budget, with supporting details, for the University for each fiscal year when completed, but no later than April 30 in each year, with updated budgets, showing actual results to budget, provided no less than semi-annually.

(c) Annually, within one hundred fifty (150) days after the close of each fiscal year, all management letters issued by the auditors of the University.

(d) Completed Compliance Certificate (in the form of Exhibit E to the Reimbursement Agreement) on a semi-annual basis delivered at the same time as: (i) the University's audited financial statements and (ii) the semi-annual updated budget results referenced in subsection (b) above.

(e) Annually, enrollment statistics data for the University for each fiscal year when completed, but no later than September 30 of each year.

(f) Operation statistics data and any additional financial information as shall be reasonably required by the Bank. Unless otherwise specifically requested by the Bank, and so long as the University is making Continuing Disclosure filings, the University's obligations shall be satisfied by provision of copies of such Continuing Disclosure filings to the Bank.

Section 5.7 Amendment of Other Documents. Without the prior written consent of the Bank, the University will not amend, terminate or grant any consent or waiver with respect to any of the Related Documents.

Section 5.8 Litigation and Other Notices. The University will give the Bank prompt written notice of the following:

(a) the occurrence and nature of any Event of Default or Unmatured Event of Default and any corrective action taken or proposed to be taken to cure it;

(b) any event of default or any event that would become an event of default upon notice or lapse of time or both under any of the terms or provisions of any note, or of any other evidence of indebtedness or agreement or contract governing the borrowing of money of the University in an amount greater than Two Hundred Fifty Thousand Dollars (\$250,000);

(c) levy of an attachment, execution or other process against any of the property or assets, real or personal, of the University, if such levy would reasonably be expected to have a material adverse effect on such University;

(d) the filing or commencement of any action, suit or proceeding by or before any court, governmental agency, or arbitration or mediation entity which, if adversely determined against the University, would materially adversely affect the business, operations, or financial condition of the University;

(e) notices received from any governmental agencies or any arbitration or mediation entity relating to an order, statute, ruling or information which might materially and adversely affect the financial condition or business operations of the University, together with a copy of such notice; and

(f) any matter other than those specified above that has resulted in, or that the University reasonably believes will result in, a materially adverse change in the financial condition or business operations of the University.

Section 5.9 ERISA. The University will comply in all material respects with the applicable provisions of ERISA and will furnish to the Bank notice that a Reportable Event or any other violation of ERISA has occurred, or that PBGC intends to terminate a Plan.

Section 5.10 Inspections. Except as to records which by law are required to be kept confidential, the University will permit any authorized representatives of the Bank to visit, make copies and extracts of and inspect any of the properties of the University to examine all books of account, records, reports and other papers, and to discuss its affairs, finances and accounts with its respective officers, employees and the University's firm of accountants at all such reasonable times and as often as may be reasonably requested. Such inspections shall be for the Bank's sole benefit and neither the University nor any third party shall be entitled to rely on the results. Notwithstanding the foregoing, absent either an Event of Default or circumstances which reflect a material adverse change in the University's financial affairs or operations, the Bank shall not request more than one inspection each year.

Section 5.11 Copies of Documents Delivered to Trustee. The University will promptly deliver to the Bank copies of all notices, certificates, reports and other documents delivered to the Agency or the Trustee pursuant to the Related Documents.

Section 5.12 Maintenance of Account Relationship. So long as the Bank has any outstanding liabilities or obligations under the Letter of Credit or the Reimbursement Agreement, the Bank shall be the University's primary bank of account.

Section 5.13 Financial Covenants. So long as the Bank has any outstanding liabilities or obligations under the Letter of Credit or the Reimbursement Agreement, or the University has any outstanding obligation to the Bank under the Letter of Credit, or the Reimbursement Agreement, the University shall:

(a) Maintain a ratio of Income Available for Debt Service to Annual Debt Service of at least 1.15 to 1.0, with such calculation to be made annually at the end of each Fiscal Year of the University based upon the University's audited financial statements.

(b) Maintain a ratio (as hereinafter defined) of Adjusted Unrestricted Net Assets to Long Term Indebtedness of at least 1.0 to 1.0, with such calculation to be made semi-annually at the end of the fiscal year of the University and as of each November 30, commencing November 30, 2008. The University's ratio of Unrestricted Liquidity to Long Term Indebtedness shall be determined by dividing (i) the sum of the University's Adjusted Unrestricted Net Assets, by (ii) the sum of the University's total Long Term Indebtedness as of the date of each such calculation.

Section 5.14 Certain Other Covenants. Notwithstanding any contrary provisions in the Related Documents or the Reimbursement Agreement, so long as the Bank has any outstanding liabilities or obligations under the Letter of Credit or the Reimbursement Agreement, or the University has any outstanding obligation to the Bank under the Letter of Credit, or the Reimbursement Agreement, the University shall:

(a) maintain insurance coverage on its Property in form, matter, amounts and issued by companies all as are acceptable to the Bank with respect to fire and "all risk" coverage at "replacement cost" for the University's physical plant, liability for injury to persons or property, and business interruption in such amounts as are customary for similar institutions in the same industry and shall provide the Bank with evidence of such insurance on the Date of Issuance and upon request during the term of the Letter of Credit. The Bank shall be designated as "loss payee" on all applicable policies, as its interests may appear, and shall consult and agree with the Bank on the use of insurance proceeds for any casualty to its Property in an amount in excess of \$250,000;

(b) employ the services of a Certified Public Accounting firm acceptable to the Bank which firm shall provide annual audited financial statements for the University prepared in accordance with generally accepted accounting principles consistently applied;

(c) provide the Bank with a list of all of its officers, directors and trustees upon request;

(d) remain in good standing with all governmental regulatory authorities that have jurisdiction over the University or its activities;

(e) not change or replace the Remarketing Agent without the prior written consent of the Bank, which consent shall not be unreasonably withheld;

(f) not change or replace the Trustee without the prior written consent of the Bank, which consent shall not be unreasonably withheld;

(g) not change the Rate Period on the Bonds as permitted in Section 209 of the Trust Agreement or exercise the Fixed Rate Option as permitted in Section 209 of the Trust Agreement; and

(h) as promptly as practicable, notify the Bank in writing of any event of default hereunder or under any of the Related Documents or any facts or circumstances which, with the passage of time or upon the receipt of notice, would constitute an event of default hereunder or under any of the Related Documents.

Section 5.15 Optional Redemption of Bonds Required by Bank. The University covenants and agrees that beginning September 1, 2009 and continuing on the same day of each year thereafter it shall pay the Trustee annual payments of principal on the outstanding amount of the Series 2008 Bonds in the amount of required optional redemptions for such year as shown on Exhibit B attached to the Reimbursement Agreement. The University covenants and agrees that it shall direct the Trustee (a) to place all such payments in the Redemption Fund established in the Trust Agreement and (b) to redeem a portion of the Series 2008 Bonds in the amount which has been paid by the University pursuant to this Section 5.15 on September 1 of each year, commencing September 1, 2009, and (c) to use the funds so placed in said Redemption Account to reimburse the Bank for Optional Redemption of the Series 2008 Bonds on September 1 of each year.

Section 5.16 Maintenance of Accreditation. The University will at all times maintain its accreditation with the New England Association of Schools and Colleges, Inc., or any similar successor accreditation agency.

Section 5.17 Environmental Matters. The University:

- (a) Shall comply with all Environmental Laws; and
- (b) Shall deliver promptly to Bank (i) copies of any documents received from the United States Environmental Protection Agency or any state, county or municipal environmental or health agency, and (ii) copies of any documents submitted by the University to the United States Environmental Protection Agency or any state, county or municipal environmental or health agency concerning its operations.

Section 5.18 Title. The University will keep the title to the Facility, the Project and the other Real Property free and clear of all liens, encumbrances, easements, restrictions and claims, except for (a) the Permitted Encumbrances, (b) any lien, restriction or encumbrance created in connection with the Reimbursement Agreement or otherwise approved by the Bank, (c) real estate taxes and installments of special assessments, if any, which are a lien but not yet due and payable, and (d) any attachment or mechanic's, laborer's, materialman's or other similar statutory lien or notice thereof provided the same does not exceed Fifty Thousand Dollars (\$50,000) individually or in the aggregate and provided further that the same is removed or discharged within forty five (45) days of filing or is the subject of a good faith dispute by the University.

Section 5.19 Construction Procedures and Requisitions. The University and the Bank agree to follow the construction procedures set forth in the separate agreement of even date between them relating to the construction portion of the Project. The University shall submit all requisitions for payment of Project costs from Bond proceeds to the Bank for its review and approval before submission to the Issuer and the Trustee.

ARTICLE VI

CONDITIONS

The obligations of the Bank to issue the Letter of Credit shall be conditioned upon satisfaction of the following:

Section 6.1 Execution and Delivery of Bond Documents. The University shall have duly authorized, executed and delivered to the Bank fully executed copies of each of the Reimbursement Documents, and the Issuer, the Trustee and the University shall have duly authorized, executed and delivered the Related Documents, transcript of proceedings, authorizing resolutions and incumbency certificates.

Section 6.2 Other Conditions Precedent to Issuance of the Letter of Credit.

(a) The University shall have duly and validly executed and delivered the Security Agreement, the Pledge Agreement and the UCC financing statements shall have been duly filed or recorded in the appropriate registry of deeds in favor of the Bank.

(b) In addition, the University shall have delivered the following, in form and substance satisfactory to the Bank:

- (i) certified copies of the Formation Documents and Bylaws of the University now in full force and effect;
- (ii) signed Certificates of the Secretary of State of Vermont in regular form (dated reasonably near the Date of Issuance of the Letter of Credit), stating that the University is duly incorporated and in good standing in the State of Vermont;
- (iii) certified copies of the resolutions of the Corporation of the University approving the Reimbursement Agreement, the Reimbursement Documents, and the Related Documents to which the University is a party, the form and content of the Letter of Credit and of all other documents evidencing any other necessary corporate action;
- (iv) evidence that the Property is subject only to Permitted Encumbrances;
- (v) certificates of insurance and evidence of payment of premiums therefor with respect to the insurance required by the Bank with respect to each tract or parcel of Real Property as set forth in Section 5.14(a), including but not limited to, general liability insurance and hazard insurance, and flood insurance if applicable;
- (vi) evidence satisfactory to the Bank (which shall include the University's representations and such plans, permits and other materials that the Bank reasonably shall request) that the Project, and the Facility, and the proposed and actual use thereof, will comply in all material respects with all applicable laws, statutes, codes, ordinances, rules and regulations, including, but not limited to, zoning and Environmental Laws of all governmental authorities having jurisdiction over the same, and that there is no action or proceeding pending (or any time for an appeal of any decision rendered) before any court, quasi-judicial body or administrative agency at the Date of Issuance relating to the validity of the Reimbursement Agreement or the transactions contemplated hereby or the proposed or actual use or operation of the Facility;
- (vii) evidence that, to the extent available on the Date of Issuance all necessary permits and approvals have been issued for the Project, including without limitation, a certificate of need (if required), zoning approval, subdivision approval, site plan approval and all necessary sewer, water, environmental, wetlands or other "site specific" permits, all of which shall be final, not subject to appeal and not subject to any unsatisfactory conditions precedent or subsequent, have been issued and, to the extent not issued that there are no facts or other circumstances known to the University on the Date of Issuance which would prevent the issuance thereof in due course as the Project proceeds;
- (viii) an opinion of Dinse, Knapp & McAndrew P.C., University's Counsel;
- (ix) an opinion of Sidley Austin LLP, Bond Counsel;
- (x) evidence that the Series 2008 Bonds have been purchased by the Underwriter; and
- (xi) such other approvals, opinions or documents as the Bank may reasonably request.

(c) To the extent that any of the certifications or documents described above (exclusive of counsel's opinions) are made or provided by the University to any other party in connection with the Related Documents, such certification or document shall be deemed to have been made or provided to the Bank as if made to the Bank, and need not be separately provided to the Bank.

Section 6.3 Representations and Warranties with Respect to Letter of Credit Disbursements. Each Letter of Credit Disbursement shall be deemed to constitute a continued or renewed representation and warranty by the University that on the date of the Letter of Credit Disbursement:

(a) the representations and warranties of the University contained in the Reimbursement Agreement and in each Related Document are true and correct and the University is in compliance with all covenants in the Reimbursement Agreement and in each Related Document in all material respects;

(b) no Event of Default or Unmatured Event of Default has occurred or is continuing or would result from the Letter of Credit Disbursement;

(c) no proceeding for the dissolution or liquidation of the University or any proceeding to revoke the Certificate of Incorporation or other charter documents or corporate existence of the University, is pending or, to the knowledge of the University, threatened against or affecting the University; and

(d) no material adverse change has occurred with respect to the financial condition, business or operations of the University since the date of most recent financial statement.

Section 6.4 Proceedings Satisfactory. All proceedings taken in connection with the execution and delivery of the Reimbursement Agreement and the other Related Documents shall be satisfactory to the Bank, and the Bank shall have received copies of such certificates, documents and papers as reasonably requested in connection therewith, all in form and substance satisfactory to the Bank.

Section 6.5 Additional Deliveries. Except as provided below, the University shall furnish the following documentation to the Bank at least three (3) business days prior to the Closing Date, all in form and substance and execution satisfactory to Bank:

(a) The University's federal tax identification number;

(b) Current financial statements of the University; and

(c) Such other documents which may be required by Bank to assure compliance with the Reimbursement Agreement and other Reimbursement Documents.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1 Events of Default. Any of the following events, acts or occurrences shall constitute an "Event of Default":

(a) default in the payment when due of:

(i) any Letter of Credit Disbursement, or

(ii) any interest on any Letter of Credit Disbursement, or

(iii) any fees or other amounts payable under the Reimbursement Agreement and such default under this subsection (iii) shall continue for five (5) days after written notice from the Bank; or

(b) any representation or warranty of the University in any of the Reimbursement Documents or any Related Document or in any certificate, or instrument delivered to the Bank shall prove to have been incorrect in any material respect when made or reaffirmed; or

(c) the University shall default in the performance or observance of any term of any of the Reimbursement Documents and such default, if a non-monetary default, shall continue for ten (10) Business Days after written notice from the Bank; or

(d) the University shall default, after giving effect to any grace period, in the performance or observance of any term, under the Related Documents; or

(e) the University shall default in the payment when due, after giving effect to any grace period, of any present or future Indebtedness and, in the case of Indebtedness that does not exceed \$600,000, such Indebtedness shall have been accelerated; or

(f) a judgment for payment of money in an aggregate amount which, if paid, would have a material adverse effect on the University shall be rendered against the University, and shall remain unsatisfied for thirty (30) days during which no stay of execution has been obtained; or

(g) the University shall:

- (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code or any other federal, State or foreign bankruptcy, insolvency or similar law,
- (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition,
- (iii) apply for or consent to the appointment of a receiver, trustee, custodian or similar official for itself or for a substantial part of its property,
- (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding,
- (v) make a general assignment for the benefit of creditors,
- (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due, or
- (vii) take corporate action for the purpose of effecting any of the above; or

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking:

- (i) relief in respect of the University, or of a substantial part of its property, under Title 11 of the United States Code or any other federal, State or foreign bankruptcy, insolvency or similar law,
- (ii) the appointment of a receiver, trustee, custodian or similar official for the University or for a substantial part of the property of the University, or
- (iii) the winding-up or liquidation of the University, and such proceeding or petition shall continue undismissed for forty-five (45) days; or

(i) a Reportable Event or a material violation of ERISA shall have occurred with respect to any Plan;
or

(j) there is a Determination of Taxability; or

(k) there is an uncured Event of Default under any of the Reimbursement Documents, the Loan Agreement, the Trust Agreement or any Related Document; or

(l) there is an Event of Default under any loan or other obligation, now existing or hereafter arising that the University owes to the Bank or any affiliate thereof, as the same may have been and may hereafter be amended, modified or restated.

Section 7.2 Remedies. In the event of the occurrence of an Event of Default, and at any time during the continuance of such event, the Bank (i) may declare all amounts under the Reimbursement Agreement to be immediately due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by the University, (ii) may direct acceleration by the Trustee of the Bank Bonds as set forth in Section 802 of the Trust Agreement, and (iii) may exercise any and all other remedies available to it whether at law or in equity.

ARTICLE VIII

TRANSFER, REDUCTION OR TERMINATION OF LETTER OF CREDIT

Section 8.1 Transfer of Letter of Credit; Reduction or Termination of Letter of Credit Commitment and Related Matters.

(a) The Letter of Credit may be transferred in accordance with the provisions set forth therein.

(b) If the University shall be entitled to a credit against the principal amount of the Series 2008 Bonds prior to maturity (the "Credit") pursuant to an optional redemption of a portion of the Series 2008 Bonds or to the purchase of Bonds in the open market and cancellation of such Bonds in accordance with the provisions of the Trust Agreement, and such amounts have been paid by or on behalf of the University other than by the Bank, the University shall have the right at any time thereafter to reduce permanently, without penalty or premium, the Letter of Credit Commitment in the manner set forth below. The Letter of Credit Commitment will be reduced by an amount equal to the sum of the following corresponding reductions in the Principal Component and the Interest Component: (a) the Principal Component will be reduced by an amount equal to the amount of such Credit; and (b) the Interest Component will be reduced to an amount equal to that portion of the Interest Coverage Requirement applicable to the Credit. The aforementioned reduction will occur not more than five (5) Business Days after written notice to the Bank, accompanied by the original Letter of Credit and the written certificate of the Trustee stating that the University is entitled to such Credit and designating the amount of such Credit and the date upon which such credit shall become effective (which shall be a Business Day). The aforementioned reduction will occur not more frequently than semi-annually.

(c) If the Letter of Credit Commitment shall be reduced pursuant to paragraph (b) hereof, then the Bank shall have the right to require the Trustee to surrender the outstanding Letter of Credit to the Bank on the effective date of such reduction of the Letter of Credit Commitment and to accept on such date, in substitution for the then outstanding Letter of Credit, a substitute irrevocable letter of credit, dated such date, for an amount equal to the amount to which the Letter of Credit Commitment shall have been so reduced (also less the amount of any drawings upon the Letter of Credit which have not been reinstated under Section 2.10 (b) hereof) but otherwise having terms identical to the then outstanding Letter of Credit.

(d) The Letter of Credit shall terminate automatically on the earliest of (i) the payment by the Bank to the Trustee of the final drawing available to be made under the Letter of Credit; or (ii) receipt by the Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an authorized representative of University stating that no Bonds remain outstanding; or (iii) receipt by the Bank of the Letter of Credit and a certificate signed by an officer of the Trustee and an authorized representative of University stating that an "Alternate Credit Facility, a Liquidity Facility or a Self-Liquidity Arrangement in substitution for the Letter of Credit has been accepted by the Trustee and is in effect"; or (iv) the Original Termination Date, as the same may be extended or amended pursuant to the Reimbursement Agreement or the Letter of Credit; or (v) the close of business of the Bank on the fifteenth (15th) Business Day following the date Notice of Default in the form attached to the Letter of Credit as Annex 4 is received by the beneficiary under the Letter of Credit from the Bank notifying the beneficiary under the Letter of Credit of the occurrence and continuance of an Event of Default under the Reimbursement Agreement, or (vi) one (1) Business Day after the Conversion Date (as defined in the Trust Agreement) of the Series 2008 Bonds.

Notwithstanding the foregoing, the Expiration Date of the Letter of Credit may be extended at the Bank's option pursuant to the provisions of Section 2.11.

EXHIBIT B

Series 2008 Bonds

<u>Year</u>	<u>Annual Principal</u>
2008	\$ 0
2009	1,000,000
2010	1,600,000
2011	1,600,000
2012	1,800,000
2013	1,800,000
2014	1,900,000
2015	1,900,000
2016	2,100,000
2017	2,100,000
2018	2,100,000
2019	2,200,000
2020	2,400,000
2021	2,400,000
2022	2,500,000
2023	2,700,000
2024	2,700,000
2025	2,800,000
2026	3,000,000
2027	3,100,000
2028	3,200,000
2029	3,300,000
2030	3,500,000
2031	3,600,000
2032	3,700,000
2033	3,900,000
2034	4,100,000
2035	4,200,000
2036	3,900,000
2037	1,500,000
2038	1,600,000

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