

NEW ISSUE - Book - Entry Only

RATING: Moody's: Baa2 (See "RATING" herein)

In the opinion of Bond Counsel, assuming continuing compliance by the Agency and the Corporation with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Bonds is not includable in gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Bonds will not constitute a specific preference item for the purposes of computation of the alternative minimum tax imposed on individuals and corporations although interest on the Bonds owned by a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. The Act provides that the Bonds and the income therefrom shall at all times be exempt from taxation in the State of Vermont, except for transfer and estate taxes. See the caption "TAX EXEMPTION" herein.

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY
\$10,750,000
Revenue Bonds
(Vermont Law School Project)
2011 Series A

Dated: Date of Delivery

Due: January 1 as shown on inside cover page

Vermont Educational and Health Buildings Financing Agency Revenue Bonds (Vermont Law School Project) 2011 Series A (the "Bonds") are duly authorized revenue bonds of Vermont Educational and Health Buildings Financing Agency (the "Agency"), issued under a trust agreement dated as of March 1, 2011 (the "Trust Agreement") between the Agency and People's United Bank, Burlington, Vermont (the "Bond Trustee"). The Bonds are being issued for the purpose of providing funds to (1) refund certain outstanding bonds issued by the Agency on behalf of Vermont Law School, Inc. (the "Corporation"), (2) pay the cost of renovation and expansion of certain educational facilities as more fully described herein (the "Project") for the Corporation, (3) pay a portion of the interest expected to accrue on the Bonds, and (4) pay certain expenses incurred in connection with the issuance of the Bonds.

The Bonds are payable solely from the sources hereinafter described and are issued pursuant to the Trust Agreement.

Interest on the Bonds is payable on the first day of January and July, commencing July 1, 2011. The amounts, maturities, interest rates and yields on the Bonds are set forth on the inside cover page hereof.

THE BONDS ARE SUBJECT TO OPTIONAL AND MANDATORY REDEMPTION PRIOR TO MATURITY IN EACH CASE IN THE MANNER AND AT THE TIMES SET FORTH HEREIN.

The Agency will enter into a loan agreement, dated as of March 1, 2011 (the "Loan Agreement") with the Corporation, under which the Agency will agree to lend to the Corporation the proceeds of the Bonds, and the Corporation will agree to make payments to the Bond Trustee for the account of the Agency (the "Loan Repayments") in such amounts and at such times as are required to provide for timely payment of the principal of, premium, if any, and interest on the Bonds. The payments to be made pursuant to the Loan Agreement are general obligations of the Corporation. In addition, the obligations of the Corporation under the Loan Agreement will be evidenced by an obligation ("Obligation No. 5") issued pursuant to the Master Trust Indenture, dated as of May 1, 2003, as supplemented (the "Master Indenture"), by and between the Corporation and People's United Bank (as successor to Chittenden Trust Company), as Master Trustee. The Corporation currently is the only Member of the Obligated Group established pursuant to the Master Indenture. See "SECURITY FOR THE BONDS" herein for the relevant security provisions of the Bonds.

Pursuant to the Trust Agreement, the Agency will assign to the Bond Trustee certain of the Agency's rights under the Loan Agreement, including all its right, 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 to Obligation No. 5, and its right, title, 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 the Cost of the Project (as defined herein), to all money and securities in the Construction Fund (as defined herein)

The Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in minimum denominations of \$5,000, and any whole multiple of \$5,000 in excess thereof. Purchasers will not receive definitive Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners of the Bonds shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. So long as DTC or its nominee, Cede & Co., is the Registered Owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC's Direct Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners of the Bonds is the responsibility of the Direct Participants and the Indirect Participants, as more fully described herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE AGENCY AND WILL BE PAYABLE SOLELY FROM THE AMOUNTS PLEDGED THEREFOR UNDER THE TRUST AGREEMENT, INCLUDING THE LOAN REPAYMENTS TO BE MADE BY OR ON BEHALF OF THE CORPORATION 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 Bonds are offered when, as and if issued by the Agency and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Agency by its counsel, Deppman & Foley, Middlebury, Vermont, and for the Corporation, by Dinse Knapp & McAndrew, P.C., Burlington, Vermont. Certain legal matters will be passed upon for the Underwriter by its counsel, Burak Anderson & Melloni, P.L.C., Burlington, Vermont. It is expected that the Bonds will be available for delivery to DTC in New York, New York, or its custodial agent, on or about March 24, 2011.



RBC Capital Markets®

\$10,750,000
VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY
REVENUE BONDS
(VERMONT LAW SCHOOL PROJECT)
2011 SERIES A

Maturities, Amounts, Interest Rates and Prices or Yields

<u>Due</u> <u>January 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> *
2012	\$ 235,000	4.000 %	2.200 %	924166 DJ7
2013	170,000	3.000	2.710	924166 DK4
2014	255,000	3.000	3.210	924166 DL2
2015	260,000	3.000	3.760	924166 DM0
2016	270,000	3.500	4.010	924166 DN8
2017	275,000	4.000	4.280	924166 DP3
2018	290,000	4.250	4.560	924166 DQ1
2019	305,000	4.500	4.800	924166 DR9
2020	310,000	4.750	5.030	924166 DS7
2021	325,000	5.000	5.250	924166 DT5

\$2,915,000 6.125% Term Bonds due January 1, 2028 - price to yield 6.190%, CUSIP*: 924166 DV0

\$2,960,000 6.250% Term Bonds due January 1, 2033 - price to yield 6.400%, CUSIP*: 924166 DW8

\$2,180,000 6.250% Term Bonds due January 1, 2041 - price to yield 6.530%, CUSIP*: 924166 DX6

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

No dealer, broker, salesman or other person has been authorized by Vermont Educational and Health Buildings Financing Agency, Vermont Law School, Inc. or RBC Capital Markets, LLC (the "Underwriter") to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Certain information contained herein has been obtained by the Corporation from other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. 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 Corporation since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence and paragraph for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

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

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

TABLE OF CONTENTS

	PAGE
INTRODUCTION.....	1
THE AGENCY	3
THE CORPORATION.....	5
THE PROJECT	5
DESCRIPTION OF THE BONDS.....	6
ANNUAL DEBT SERVICE REQUIREMENTS	10
BOOK-ENTRY ONLY SYSTEM	11
SECURITY FOR THE BONDS	13
ESTIMATED SOURCES AND USES OF FUNDS	17
BONDHOLDERS' RISKS.....	18
TAX EXEMPTION.....	21
LEGALITY OF BONDS FOR INVESTMENT.....	23
STATE NOT LIABLE ON BONDS	23
COVENANT BY THE STATE	23
RATING.....	23
VERIFICATION OF MATHEMATICAL COMPUTATIONS.....	23
NO LITIGATION	24
APPROVAL OF LEGAL PROCEEDINGS	24
FINANCIAL ADVISOR.....	24
UNDERWRITING	24
CONTINUING DISCLOSURE	24
MISCELLANEOUS.....	25
APPENDIX A - INFORMATION CONCERNING VERMONT LAW SCHOOL, INC.	A-1
APPENDIX B - AUDITED FINANCIAL STATEMENTS	B-1
APPENDIX C-1 - DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE LOAN AGREEMENT AND THE TRUST AGREEMENT FOR THE BONDS.....	C-1-1
APPENDIX C-2 - COPY OF THE MASTER TRUST INDENTURE	C-2-1
APPENDIX D - PROPOSED FORM OF LEGAL OPINION	D-1

OFFICIAL STATEMENT

Relating To
\$10,750,000
VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY
REVENUE BONDS
(VERMONT LAW SCHOOL PROJECT)
2011 SERIES A

INTRODUCTION

This Official Statement, including the cover page and appendices, sets forth certain information in connection with the issuance and sale of the Revenue Bonds (Vermont Law School Project) 2011 Series A (the "Bonds") in the aggregate principal amount of \$10,750,000 by 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

The Bonds will be issued under a trust agreement dated as of March 1, 2011 (the "Trust Agreement") between the Agency and People's United Bank, Burlington, Vermont, as bond trustee (the "Bond Trustee"), and a resolution of the Agency adopted on February 3, 2011 (the "Resolution"). The Bond Trustee is also Bond Registrar for the Bonds.

The Bonds will bear interest and mature on the dates and in the amounts set forth on the inside cover page hereof. The Bonds are subject to optional and mandatory redemption prior to maturity. For a further description of the Bonds, see "DESCRIPTION OF THE BONDS" herein.

The Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds.

The Bonds are being issued for the purpose of making a loan to Vermont Law School, Inc. ("Vermont Law School" or the "Corporation") to provide funds to (1) refund the Revenue Bonds (Vermont Law School Project) 2003 Series A (the "Series 2003A Bonds") issued by the Agency on behalf of the Corporation, as further described below, (2) fund certain capital expenditures of the Project (described herein), (3) pay a portion of the interest expected to accrue on the Bonds, and (4) pay certain expenses incurred in connection with the issuance of the Bonds.

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

The Bonds are limited obligations of the Agency, payable solely from money to be received from the Corporation pursuant to the Loan Agreement and pursuant to Obligation No. 5, dated as of March 1, 2011 ("Obligation No. 5"), issued to the Agency under a Master Trust Indenture, dated as of May 1, 2003 between the Corporation and People's United Bank (as successor to Chittenden Trust Company), as Master Trustee (the "Master Trustee"). The Master Trust Indenture, as supplemented in accordance with the provisions thereof, is referred to in this Official Statement as the "Master Indenture." The Corporation is currently the only Member of the Obligated Group established pursuant to the Master Indenture. Obligation No. 5 securing the Bonds will constitute a joint and several obligation of the Corporation and any future Members of the Obligated Group. Payments on Obligation No. 5 will be required to be sufficient to pay the principal of and interest and any premium on the Bonds, as due and

payable. To secure the payment of the Bonds, the Agency will assign to the Bond Trustee all of its interest in Obligation No. 5 and, with certain exceptions, the Loan Agreement. Obligation No. 5 will be secured by a security interest in the Pledged Assets (as defined herein) of each Member of the Obligated Group. In addition, pursuant to a Mortgage dated as of May 1, 2003, as supplemented (the "Mortgage"), the Corporation has mortgaged to the Master Trustee, for the benefit of the holders of all Obligations issued under the Master Indenture, certain buildings of the Corporation currently used as part of the Corporation's core campus. The "core campus" of the Corporation includes the main administrative, academic and library facilities of the Corporation, as further described in the Mortgage (the "Mortgaged Property"), but does not include all real estate owned by the Corporation. See "SECURITY FOR THE BONDS" herein. The Master Indenture permits any Person to become a Member of the Obligated Group upon the consent of the Corporation. The Master Indenture also permits, upon compliance with the terms thereof, any Member to withdraw from the Obligated Group. The Corporation has covenanted in Supplement No. 5 not to withdraw from the Obligated Group so long as Obligation No. 5 is outstanding.

The Agency has previously issued the Series 2003A Bonds on behalf of the Corporation. As of January 1, 2011, \$5,660,000 of the Series 2003A Bonds were outstanding. The Corporation's obligations with respect to the Series 2003A Bonds are secured by Obligation No. 1 issued under the Master Indenture. The obligations of the Corporation with respect to the Series 2003A Bonds will be refunded with a portion of the proceeds of the Bonds, and as of the date of delivery of the Bonds, Obligation No. 1 will no longer be outstanding under the Master Indenture.

The Agency has also previously issued its Variable Rate Demand Revenue Bonds (Vermont Law School Project) 2003 Series B in the aggregate principal amount of \$3,940,000 (the "Series 2003B Bonds") on behalf of the Corporation. As of January 1, 2011, \$3,515,000 of such Series 2003B Bonds remains outstanding. In connection with the Series 2003B Bonds, the Corporation issued under the Master Indenture its Obligation No. 2 to the Agency, as security for the Series 2003B Bonds, and its Obligation No. 3 to TD Bank, National Association, as issuer of the credit facility securing the Series 2003B Bonds. Both Obligation No. 2 and Obligation No. 3 remain outstanding. The Corporation has also issued its Obligation No. 4 to secure a loan in the principal amount of \$850,000 from TD Bank, N.A. The Corporation expects to repay such loan by June 30, 2011, and upon such repayment, Obligation No. 4 will then be cancelled.

Security Under The Master Trust Indenture

Pursuant to the Master Indenture, as security for the payment of the principal of, and the redemption premium, if any, and interest on, Obligation No. 5, and any other Obligation issued and outstanding under the Master Indenture, the Corporation has granted a security interest in its Pledged Assets to the Master Trustee. The Corporation (and all future Members of the Obligated Group) has agreed in the Master Indenture that it will not create or suffer to be created or exist any Lien other than Permitted Liens upon the Mortgaged Property. In addition, the Corporation is (and all future Members of the Obligated Group will be) subject to covenants under the Master Indenture containing restrictions or limitations with respect to indebtedness and consolidation or merger, among others.

The Pledged Assets that are pledged under the Master Indenture to secure the Obligations No. 2, 3, and 5, and any additional Obligations that may be issued on a parity with such Obligations (collectively, the "Obligations") consist of all Gross Revenues (as defined herein) of the Members of the Obligated Group, now owned or hereafter acquired. In addition, the Corporation has granted to the Master Trustee the Mortgage in the Mortgaged Property as security for the Obligations. See "SECURITY FOR THE BONDS" herein.

For more detailed descriptions of the Corporation's obligations under the Master Indenture, including Obligation No. 5 and a description of the conditions under which additional Obligations may be issued and other Indebtedness may be incurred, conditions under which other organizations may join or withdraw from the Obligated Group and conditions under which Members of the Obligated Group may acquire or dispose of property and merge with or acquire other organizations, see "COPY OF THE MASTER TRUST INDENTURE" in Appendix C-2 hereto.

Assignment by Agency of Loan Repayments

Pursuant to the Trust Agreement, the Agency will, for the benefit of the owners of the Bonds, assign to the Bond Trustee 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).

In addition, with respect to the Bonds, the Agency will assign to the Bond Trustee all of its right, title and interest in and to Obligation No. 5, and to any and all moneys and securities in the bond fund established for the Bonds (the "Bond Fund"), and, until applied in payment of any item of the cost of the Project, to all money and securities in the Construction Fund established for the Bonds.

Miscellaneous

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

The purchase of the Bonds involves a degree of risk. Prospective purchasers should carefully consider the material under the caption "BONDHOLDERS' RISKS" herein. Careful evaluation should be made of the risks set forth in such section and elsewhere in this Official Statement concerning the factors which may affect the payment of the principal or redemption price of and interest on the Bonds when due.

The following summaries are not comprehensive or definitive. All references to the Act, the Bonds, the Trust Agreement, the Loan Agreement, the Master Indenture, the Obligations and the Mortgage, 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 corporate office of the Bond Trustee, People's United Bank, located at Two Burlington Square, Burlington, Vermont 05401.

The Bonds are limited obligations of the Agency. The Agency is not obligated to pay principal of, or premium, if any, or the interest on the Bonds except from (i) payments to be made by the Corporation under the Loan Agreement and the security therefor; and (ii) other amounts held by the Bond Trustee pursuant to the Trust Agreement. Neither the faith and credit nor the taxing power of the State or of any municipality or political subdivision of the State is pledged as security for the payment of the principal of, or premium, if any, or interest on the Bonds.

Capitalized terms used in this Official Statement have the meanings specified herein and in Appendix C-1 hereto. Terms not otherwise defined in this Official Statement have the meanings provided in the specific documents.

THE AGENCY

The Agency has been created as a body corporate and politic constituting a public instrumentality of the State 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 facilities in the acquisition, construction, financing and refinancing of their related projects.

Agency Membership and Organization

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

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

Officers and Members

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

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

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

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

Ex Officio Members

Beth Pearce
State Treasurer
Montpelier, Vermont

Jeb Spaulding
Secretary of Administration
Montpelier, Vermont

Armando Vilaseca
Commissioner of Education
Montpelier, Vermont

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

Other Members

Kenneth Gibbons
President
Union Bank
Morrisville, Vermont

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

Sandy Predom
Vice President
The Merchants Bank
Rutland, Vermont

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

Stuart W. Wepler
Business and Financial Consultant
Morrisville, Vermont

Executive Director

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

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

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

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

Financing Programs of the Agency

The Agency was duly created under the Act as a body corporate and politic constituting a public instrumentality of the State. 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, 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 borrower; to lease or to make loans with respect to such facilities to any such eligible borrower 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. Other than the Series 2003A Bonds and the Series 2003B Bonds, which were issued by the Agency on behalf of the Corporation, all outstanding Agency bond 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. Such bonds and notes are payable from certain revenues other than those pledged for payment of the Bonds. Inasmuch as each series of bonds and notes of the Agency is secured separately from all other bonds and notes issued thereby, the moneys on deposit in the funds (including cash and securities in the 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, trust agreements and loan agreements to assist certain health care and educational facilities in the acquisition, construction, financing and refinancing of their related projects payable from revenues derived by the Agency from such borrower.

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

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

THE CORPORATION

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

THE PROJECT

The Corporation will use a portion of the proceeds of the Bonds to finance certain capital improvements to its buildings and facilities and to construct a new student fitness center (the "Project"). Commencement of the Project is contingent on receiving various State and local land use permits and approvals. The Corporation has not yet obtained all required permits necessary to commence construction of each component of the Project. The Corporation expects to receive such additional permits. The Corporation expects construction to commence in May of 2011, with completion and occupancy scheduled for September of 2013.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery and will mature in the principal amounts on January 1 in each of the years as shown on the inside cover page hereof. The Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co. as nominee of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000, or integral multiples thereof.

Purchasers will not receive certificates representing their interest in the Bonds. Interest on the Bonds will be payable January 1 and July 1 of each year, commencing July 1, 2011, until maturity.

Optional Redemption of the Bonds

The Bonds maturing on or before January 1, 2021, shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after January 1, 2022, shall be subject to optional redemption prior to maturity on not less than thirty (30) days notice as a whole or in part on any date (and if in part, in such order of maturity as the Corporation shall designate) at the option of the Corporation on January 1, 2021, and on any date thereafter at 100% of the principal amount thereof, plus accrued interest to the date of redemption, without premium.

Extraordinary Optional Redemption of the Bonds

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

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

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

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

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

Mandatory Sinking Fund Redemption

The Bonds maturing on January 1, 2028, are subject to mandatory sinking fund redemption in part by lot on January 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, all in the manner provided in the Trust Agreement.

Bonds Maturing January 1, 2028	
<u>Year</u>	<u>Amount</u>
2022	\$345,000
2023	370,000
2024	390,000
2025	415,000
2026	440,000
2027	465,000
2028*	490,000

*Maturity

The Bonds maturing on January 1, 2033, are subject to mandatory sinking fund redemption in part by lot on January 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, all in the manner provided in the Trust Agreement.

Bonds Maturing January 1, 2033	
<u>Year</u>	<u>Amount</u>
2029	\$520,000
2030	555,000
2031	590,000
2032	630,000
2033*	665,000

*Maturity

The Bonds maturing on January 1, 2041, are subject to mandatory sinking fund redemption in part on January 1 in the years and amounts set forth below at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the date of redemption, all in the manner provided in the Trust Agreement.

Bonds Maturing January 1, 2041	
<u>Year</u>	<u>Amount</u>
2034	\$220,000
2035	230,000
2036	245,000
2037	260,000
2038	280,000
2039	295,000
2040	315,000
2041*	335,000

*Maturity

The amounts accumulated for each sinking fund installment may be applied by the Bond Trustee prior to the 45th day preceding the due date of such sinking fund installment to the purchase of such Bonds at a price not exceeding the principal amount thereof, plus accrued interest to the date of purchase. To the extent that in any Bond Year, the amount on deposit in the Sinking Fund Account for the Bonds plus the principal amount of the Bonds so purchased exceeds the sinking fund installment due on the next succeeding January 1, the Bond Trustee shall endeavor to purchase any Bonds then outstanding with such excess money. To the extent that the principal amount of the Bonds so purchased exceeds the sinking fund installment due on the next succeeding January 1, future sinking fund installments set forth above may be reduced by the amount of such excess in the years and amounts designated by the Corporation.

General Redemption Provisions

The Bonds shall be redeemed only in whole multiples of \$5,000. The Bond Trustee will select the Bonds to be redeemed in accordance with the terms and provisions of the Trust Agreement.

If less than all of the Bonds of any maturity are to be called for redemption, the Bond Trustee shall select, in such manner as the Bond Trustee in its discretion may determine, the Bonds to be redeemed within each maturity, including each Sinking Fund Requirement, each \$5,000 portion of principal being counted as one Bond for this purpose.

Notice of Redemption

So long as DTC or its nominee is the registered owner of the Bonds, the Bond Trustee, the Agency and 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 Bond Trustee shall give notice of redemption to the Holders of Bonds to be redeemed by mail, postage prepaid, not more than 60 days nor less than 30 days prior to the date fixed for redemption. Failure to mail any such

notice to any Holder or any defect in any notice so mailed shall not affect the validity of the proceedings for the redemption of the Bonds of any other Holders.

With respect to any notice of redemption of the Bonds at the option of the Corporation, such notice shall state that such redemption shall be conditional upon the receipt by the Bond Trustee, on or prior to the date fixed for such redemption, of moneys or Defeasance Obligations, or a combination of both, sufficient to pay the Redemption Price of and accrued interest on such Bonds to be redeemed, and that if such moneys or Defeasance Obligations shall not have been so received, said notice shall be of no force and effect and the Agency shall not be required to redeem such Bonds. In the event that such moneys or Defeasance Obligations are not so received, the redemption shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys or Defeasance Obligations were not so received.

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, shall not affect the validity of the redemption of such Bonds.

Payment of Redeemed Bonds

Notice having been given in the manner provided above, 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 money 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 Bond 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 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.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each period of January 2 through January 1 of the following year, the amounts required each year to be made available for the payment of debt service by the Corporation on the Bonds and debt service on other outstanding bonded indebtedness. See "APPENDIX A – INFORMATION CONCERNING VERMONT LAW SCHOOL, INC. – Outstanding Indebtedness of the Law School" for a description of the indebtedness of the Corporation for which debt service is included under "Net Existing Debt Service." The principal amounts and sinking fund requirements with respect to the Bonds, and the sinking fund requirements for the Bonds, will be payable on January 1. Interest on the Bonds will be payable on January 1 and July 1, commencing July 1, 2011.

<u>Date January 1</u>	Net Existing Debt Service <small>(1) (2) (3)</small>	Principal on the Bonds <small>(4)</small>	Interest on the Bonds	Total Principal & Interest on the Bonds <small>(1)</small>	Total Debt Service Requirements <small>(1)</small>
2012	\$ 77,575	\$235,000	\$467,221	\$702,221	\$ 779,796
2013	116,837	170,000	597,819	767,819	884,656
2014	154,730	255,000	592,719	847,719	1,002,449
2015	158,000	260,000	585,069	845,069	1,003,069
2016	171,125	270,000	577,269	847,269	1,018,394
2017	173,893	275,000	567,819	842,819	1,016,712
2018	191,482	290,000	556,819	846,819	1,038,301
2019	198,625	305,000	544,494	849,494	1,048,119
2020	205,500	310,000	530,769	840,769	1,046,269
2021	217,141	325,000	516,044	841,044	1,058,184
2022	228,360	345,000	499,794	844,794	1,073,154
2023	239,250	370,000	478,663	848,663	1,087,913
2024	249,750	390,000	456,000	846,000	1,095,750
2025	264,887	415,000	432,113	847,113	1,111,999
2026	279,490	440,000	406,694	846,694	1,126,183
2027	293,625	465,000	379,744	844,744	1,138,369
2028	247,250	490,000	351,263	841,263	1,088,512
2029	201,881	520,000	321,250	841,250	1,043,131
2030	217,495	555,000	288,750	843,750	1,061,245
2031	232,625	590,000	254,063	844,063	1,076,688
2032	247,250	630,000	217,188	847,188	1,094,438
2033	261,376	665,000	177,813	842,813	1,104,189
2034		220,000	136,250	356,250	356,250
2035		230,000	122,500	352,500	352,500
2036		245,000	108,125	353,125	353,125
2037		260,000	92,813	352,813	352,813
2038		280,000	76,563	356,563	356,563
2039		295,000	59,063	354,063	354,063
2040		315,000	40,625	355,625	355,625
2041		335,000	20,938	355,938	355,938

- (1) Amounts listed may vary from actual amounts due based on rounding.
- (2) Net Existing Debt Service excludes the debt service on the Series 2003A Bonds and debt service on Obligation No. 4 in the amount of \$850,000, which is expected to be repaid by June 30, 2011.
- (3) Interest on variable rate bonds assumed to average 0.50% for the period ending January 1, 2012, 1.50% for the period ending January 1, 2013 and 2.50% thereafter.
- (4) Principal due either at maturity or by operation of sinking fund redemption.

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system was obtained from materials provided by DTC. None of the Corporation, the Agency or the Underwriter takes any responsibility for the accuracy thereof.

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

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

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive definitive 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 DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption payments and payments of principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation, through the Bond Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption payments and payments of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation, through the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

NONE OF THE CORPORATION, THE BOND TRUSTEE OR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE TO ANY DTC PARTICIPANT, ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE TO ANY DTC PARTICIPANT, ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BONDHOLDERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BOND OWNER.

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

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

In the event that the Book-Entry Only System is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions applicable to registered owners would apply: (i) Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate, in other

authorized denominations, upon surrender thereof at the designated corporate trust office of the Bond Trustee; (ii) the transfer of any Bonds may be registered on the books maintained by the Bond Trustee for such purpose only upon the surrender thereof to the Bond Trustee together with a duly executed assignment in form satisfactory to the Corporation and the Bond Trustee; and (iii) for every exchange or registration of transfer of Bonds, the Bond Trustee may impose a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds.

Additional Information

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

SECURITY FOR THE BONDS

General

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

Principal of and premium, if any, and interest on the Bonds will be payable from moneys paid by the Corporation pursuant to the Loan Agreement and by the Obligated Group pursuant to Obligation No. 5. Payment of Obligation No. 5 will be the joint and several obligation of the Members of the Obligated Group under the Master Indenture. Currently, the Corporation is the only member of the Obligated Group.

Pursuant to the Trust Agreement, the Agency has, for the benefit of the owners of the Bonds, assigned all of the Agency's right, title and interest 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), all of the Agency's right, title and interest in and to Obligation No. 5, all of the Agency's rights under the Master Indenture as the owner of Obligation No. 5 and all moneys and securities in the Bond Fund, the Construction Fund and the Redemption Fund established under the Trust Agreement, to the Bond Trustee in trust.

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

Master Trust Indenture

Pursuant to the Master Indenture, as security for the payment of the amounts due on the Obligations issued under the Master Indenture, the Corporation has pledged and granted, and any other future Members of the Obligated Group will pledge and grant, a security interest in Pledged Assets to the Master Trustee. The Pledged Assets consist of the Gross Revenues of the Members of the Obligated Group and all proceeds thereof. For purposes of the Master Indenture, the term "Gross Revenues" means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) tuition and other revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required or permitted by the Master Indenture to be applied in a manner inconsistent with their use

as Gross Revenues, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible property and (v) accounts receivable, general intangibles, contract rights, chattel paper, instruments and other rights and assets now or hereafter owned, held or possessed by any Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property. The security interest in Gross Revenues has been perfected to the extent, and only to the extent, that such security interest may be perfected by filing financing statements under the Uniform Commercial Code of the State (the "UCC"). Continuation statements with respect to such filings must be filed every five years to continue the perfection of such security interest. The security interest in Gross Revenues is subject to the right of each Member of the Obligated Group to sell or otherwise transfer Pledged Assets. The security interest in certain of the Gross Revenues may not be enforceable against third parties unless those Gross Revenues are transferred to the Master Trustee (which transfer Members of the Obligated Group are required to make only if requested by the Master Trustee after a default under the Master Indenture) and is subject to certain exceptions under the UCC.

In addition, pursuant to the Mortgage, the Corporation has mortgaged and pledged to the Master Trustee, for the benefit of the holders of the Obligations, the Mortgaged Property. The Mortgaged Property consists of the real estate and buildings located in South Royalton, Vermont that are used by the Corporation as its "core campus."

The enforcement of the security interest in Pledged Assets may be further limited by the following: (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (iv) federal bankruptcy laws, State of Vermont receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Master Indenture or the security interest in Gross Revenues and (v) rights of third parties in Gross Revenues not in the possession of the Master Trustee. The enforcement of the interest of the Master Trustee in the Mortgaged Property may also be subject to (i) statutory liens, (ii) federal bankruptcy laws, State of Vermont receivership or fraudulent conveyance laws or similar laws affecting creditors' rights that may affect the enforceability of the Mortgage, (iii) and Permitted Liens allowed under the Master Indenture. See "BONDHOLDERS' RISKS – Enforcement of Bondholder Remedies; Bankruptcy" herein.

In connection with the issuance of the Bonds, the Corporation will amend the Master Indenture to include certain financial covenants as described herein. Under the Master Indenture, each Member of the Obligated Group agrees that it will maintain the following financial covenants (collectively, the "Financial Covenants"), subject to annual verification by the Master Trustee, based on the Corporation's Audited Financial Statements:

Debt Service Coverage Covenant. The Corporation covenants that it will maintain a Debt Service Coverage Ratio of not less than 1.0 so long as any Obligations are outstanding. Compliance with this Debt Service Coverage Ratio covenant will be tested annually, commencing with the fiscal year ending June 30, 2011 on the basis of the Corporation's audited financial statement for the preceding fiscal year. An Event of Default under the Master Trust Indenture will occur should the Corporation fail to satisfy its covenant to maintain such Debt Service Coverage Ratio for two consecutive fiscal years.

The term "Debt Service Coverage Ratio" means the quotient of Operating Revenues Available for Debt Service divided by Annual Debt Service.

"Operating Revenues Available for Debt Service" means total Unrestricted Operating Revenues minus total unrestricted operating expenses, excluding depreciation, amortization, and interest expenses as shown in the Corporation's most recent audited financial statements, and, to the extent otherwise taken into account in determining unrestricted operating activity, excluding (i) any losses resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of capital assets not in the ordinary course of business, (ii) earnings resulting from any reappraisal, revaluation or write-up or write-down of fixed or capital assets, (iii) any non-cash adjustment for changes in accounting estimates, change in generally accepted accounting principles ("GAAP"), or other non-cash adjustments made and accrued in accordance with GAAP, (iv) extraordinary items, (v) any realized gains or losses on the sale of investments or interest exchange agreements, and (vi) any unrealized gains/appreciation or losses/depreciation on the carrying value of investments or interest exchange agreements.

“Unrestricted Operating Revenues” means the Corporation’s total unrestricted operating revenues, including funds made available for operations from endowment funds and from other temporarily restricted resources shown in the Corporation’s audited financial statements, and excluding (i) any gains or losses resulting from the extinguishment of indebtedness or the sale, exchange or other disposition of capital assets not in the ordinary course of business, (ii) any reappraisal, revaluation or write-up or write-down of fixed or capital assets, (iii) any non-cash adjustment for changes to accounting estimates, change in GAAP, or other non-cash adjustments made in accordance with GAAP, (iv) extraordinary items, (v) any realized gains or losses on the sale of investments or interest rate exchange agreements and (vi) any unrealized gains/appreciation or losses/depreciation on the carrying value of investments or interest rate exchange agreements.

“Annual Debt Service” means the sum of the principal and sinking fund installments of and interest on outstanding long-term debt payable during a fiscal year provided that with respect to any Variable Rate Indebtedness (a) if the debt is tax-exempt, the interest rate borne by such debt shall be assumed to be the five year average of the SIFMA Swap Index (or a comparable index), and (b) if such debt is not tax-exempt, the interest rate borne by such debt shall be assumed to be the five year average of 30-day LIBOR (or a comparable index), both as of the five most recent fiscal years. With respect to principal and sinking fund installments paid in any fiscal year on outstanding Balloon Indebtedness, such debt shall be assumed to amortize on a level debt service basis with a term equaling the original term of the debt, and using the interest rate of such debt.

“SIFMA Swap Index” shall mean, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data, Inc., and published or made available by the Securities Industry and Financial Markets Association (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and effective from such date; provided, however, that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the “Municipal Index” shall mean such other reasonably comparable index selected by the Master Trustee (who may conclusively rely upon an opinion of a commercial or investment banking firm knowledgeable in municipal finance).

Limit on Additional Indebtedness. In addition, the Master Indenture will be amended to provide that, so long as any Obligation remains Outstanding, no Member of the Obligated Group may:

- (i) incur Long-Term Indebtedness unless total maximum Annual Debt Service on outstanding and proposed Long-Term Indebtedness does not exceed 10% of Unrestricted Operating Revenues for the prior fiscal year; or
- (ii) take any action under Section 3.06 of the Master Indenture (with respect to transfers of Property, Plant and Equipment) (other than transfers to Affiliates in the normal course of business), Section 3.07 of the Master Indenture (with respect to consolidations, merger, sale or conveyance of substantially all of its assets), Section 3.09 of the Master Indenture (with respect to admission of new Members of the Obligated Group) or Section 3.10 of the Master Indenture (with respect to withdrawal of any Member of the Obligated Group) of the Master Indenture unless the Obligated Group is in compliance with the Financial Covenants both immediately before and immediately after taking such action.

Pursuant to the Master Indenture, the Members of the Obligated Group are subject to covenants under the Master Indenture relating to the existence of liens on the Mortgaged Property, consolidation and merger, addition of Members to the Obligated Group and withdrawal of Members from the Obligated Group. The Master Indenture may be amended or modified as set forth therein. The Master Indenture provides that to the extent that a proposed amendment or supplement does not affect the Holders of all Obligations Outstanding and does not cover such subjects or matters as to which the consent of Holders of the Obligations is not required for an amendment or supplement, the Corporation and the Master Trustee may enter into such amendment or supplement with the consent of Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding affected by such amendment. See Appendix C-2 hereto.

The Master Indenture permits Members of the Obligated Group to issue or incur additional indebtedness evidenced by obligations that will share the security under the Master Indenture on a parity with Obligation No. 5. The Corporation will issue Obligation No. 5 as security for the Corporation’s Obligations with respect to the Bonds. The Corporation has previously issued its Obligation No. 1 in connection with, and as security for, the Series 2003A

Bonds. Upon the delivery of the Bonds and the refunding of the Series 2003A Bonds, Obligation No. 1 is to be cancelled. The Corporation has previously issued its Obligation No. 2 and Obligation No. 3 for the benefit of the Holders of the Series 2003B Bonds and for the benefit of the Credit Facility issuer for such Series 2003B Bonds, respectively. The Series 2003B Bonds and Obligations No. 2 and No. 3 remain outstanding. The Corporation has issued its Obligation No. 4 in connection with a loan in the principal amount of \$850,000 from TD Bank, N.A. It is expected that such loan will be repaid by June 30, 2011 and Obligation No. 4 will then be cancelled. In addition, the Corporation may issue additional Obligations under and in accordance with the Master Indenture, which Obligations shall be on a parity basis with Obligation No. 5. Such additional Obligations will not be secured by the money or investments in any fund or account held by the Bond Trustee for the security of the respective series of bonds but will be equally and ratably secured by all Pledged Assets and the Mortgaged Property held by the Master Trustee for all Obligations issued by the Corporation under the Master Indenture.

The Corporation currently is the only Member of the Obligated Group. Although the Master Indenture permits other entities to become Members of the Obligated Group, the Corporation might remain the only Member of the Obligated Group throughout the term of the Bonds. Since it is not known which entities, if any, may become additional Members of the Obligated Group, it is unknown what risks the addition of such entities to the Obligated Group, in light of their financial condition and the nature of their businesses, may present to the Bondholders. See the caption "COPY OF THE MASTER INDENTURE" in Appendix C-2 to this Official Statement.

In addition, Members may withdraw from the Obligated Group, and be released from all obligations previously incurred by the Obligated Group, if certain conditions summarized under the caption "COPY OF THE MASTER INDENTURE" in Appendix C-2 to this Official Statement are met. However, the Corporation has agreed to not withdraw from the Obligated Group while Obligation No. 5 remains outstanding.

In addition, the assets of any Member of the Obligated Group may be held by a court to be subject to a charitable trust which prohibits payments in respect of obligations incurred by or for the benefit of others if a Member of the Obligated Group has insufficient assets remaining to carry out its own charitable functions or, under certain circumstances, if the obligations paid by such Member of the Obligated Group were issued for purposes inconsistent with or beyond the scope of the charitable purposes for which such Member was organized. The enforceability of similar master trust indentures has been challenged in jurisdictions outside of the State. In the absence of clear legal precedent in this area, the extent to which the assets of any Member of the Obligated Group can be used to pay Obligations issued by other Members of the Obligated Group cannot be determined at this time.

The obligations of the Corporation under the Loan Agreement and the obligations of the Members of the Obligated Group under the Master Indenture are subject to bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and the application of general principles of equity and other debtor relief laws and as additionally described below.

The realization of any rights upon default by the Corporation will depend upon the exercise of various remedies specified in the Loan Agreement and the Master Indenture. These remedies, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Obligation No. 5, the Loan Agreement and the Master Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in such documents.

ESTIMATED SOURCES AND USES OF FUNDS

The Bonds are being issued for the purpose of providing funds to (1) advance refund the Series 2003A Bonds, (2) fund certain capital expenditures of the Project, (3) pay a portion of the interest expected to accrue on the Bonds and (4) 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:

Sources of Funds

Par Amount of Bonds	\$ 10,750,000
Net Original Issue (Discount)	(189,577)
Transfers from Prior Trustee Held Funds	524,963
Equity Contribution	<u>55,762</u>

Total Sources \$ 11,141,148

Uses of Funds

Deposit to Project Construction Fund	\$ 4,006,577
Deposit to Escrow Fund	6,378,219
Deposit to Capitalized Interest Account	489,382
Costs of Issuance*	<u>266,970</u>

Total Uses \$ 11,141,148

* Includes Underwriter's discount, trustee fees, verification agent fees, counsel fees and issuer fees.

BONDHOLDERS' RISKS

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

No Obligation of the State or Any Municipality or Political Subdivision

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

Source of Payment of the Bonds

The Bonds are payable solely from payments to be made by the Members of the Obligated Group under Obligation No. 5 and by the Corporation under the Loan Agreement. While the future ability of the Corporation to meet its obligations under the Loan Agreement is based upon assumptions and business judgments which the Corporation believes are reasonable and appropriate, they are subject to conditions which may change in the future to an extent that cannot be determined at this time. Thus, no assurance can be given that revenues will be realized by the Corporation in amounts sufficient to pay, when due, the principal of and interest on the Bonds.

The earnings and revenue by the Corporation are subject to, among other things, demand for the services offered by the Corporation, the ability of the Corporation to continue to provide such services, competition, tuition charges, costs, management and staff personnel and future economics and other developments, all of which are unpredictable and any or all of which may affect revenues and the payment of principal and interest on the Bonds. There is no representation or assurance that the Corporation will generate sufficient revenues to meet its obligations under the Loan Agreement, the Master Indenture, or the Obligations. There will not be a debt service reserve fund established to secure or provide for payment of the Bonds.

The Corporation expects that it will experience increases in operating costs due to inflation and other factors. There is no assurance that cost increases will be matched by increased tuition and other charges in amounts sufficient to generate an excess of revenues over expenses at the levels experienced by the Corporation.

Enrollment

Approximately 85% of the Corporation's total revenues are derived from tuition and fee payments. There can be no assurance that the Corporation's enrollment will remain at levels sufficient to provide funds to pay operating expenses and principal and interest on the Bonds, or that attempts to raise tuition to offset any drop in enrollment would be successful. The current and future economic conditions, including decreased demand in the employment market for law school graduates, may result in the reduction of enrollment levels. A smaller pool of applicants and law students will result in a reduction in revenues which may affect the ability of the Corporation to make payments of interest and principal on the Bonds.

Competition

Competition for students among law schools remains intense. If the Corporation is unable to maintain its competitive position, its ability to earn revenues and to pay debt service on the Bonds may be impaired. Enrollment is sensitive to demographic trends and overall demand for legal educational services. A major change in the population or the employment prospects of students, which would result in the Corporation's inability to attract students, would have a negative impact on the revenues of the Corporation. If the Corporation is unable to maintain its competitive position, its ability to earn revenues and to pay debt service on the Bonds may be impaired.

Construction Costs and Delays

Numerous factors may affect the cost of construction of the Project by the Corporation, including permit conditions and requirements, costs of construction, materials and labor, and other factors. While the Corporation

believes that its estimates of the cost of the Project are reasonable, there can be no assurance that the Project can be completed within budget, estimates or on schedule. Failure to complete the Project on schedule or within budget could adversely affect the Corporation's use of the Project or its financial condition.

Real Estate Related Risks

There are many risks related to any ownership of real estate, not within the control of the Corporation. These risks may have substantial bearing on the value of the properties encumbered by the Mortgage. Such risks include environmental matters, fire or other casualty, condemnation, increased taxes, changes in demand for such facilities, real property assessments, decline in local and general economic conditions and changing governmental regulations. Matters of environmental concern with respect to the Mortgaged Property may materially affect the value or use of the properties subject to the Mortgage and the Master Trustee's ability to foreclose or sell the properties subject to the Mortgage.

Fundraising

The Corporation relies on annual giving to support its operating needs and intends to continue its fundraising efforts. There can be no assurance, however, that these efforts will be successful. Such efforts may be affected adversely by a number of factors, including without limitation changes in general economic conditions and changes in federal and state tax laws affecting the deductibility of charitable contributions. Furthermore, the performance of investments of the Corporation's endowment is subject to market risks and uncertainties.

Covenant to Maintain Tax-Exempt Status of the Bonds

The tax-exempt status of the Bonds is based on the continued compliance by the Agency and the Corporation with certain covenants contained in the Trust Agreement, the Loan Agreement and certain other documents executed by the Agency and the Corporation. These covenants relate generally to restrictions on use of facilities financed with proceeds of the Bonds, arbitrage limitations, rebate of certain excess investment earnings to the federal government and restrictions on the amount of issuance costs financed with the proceeds of the Bonds. Failure to comply with such covenants could cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds.

Enforcement of Bondholder Remedies; Bankruptcy

The Bond Trustee's right to enforce payment under the Loan Agreement and the Obligations under the Master Indenture may be limited by bankruptcy proceedings and equity principles and may be subject to judicial discretion and delay. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by any of the foregoing. Accordingly, there can be no assurance that the proceeds of any liquidation of the assets subject to the Master Indenture would be available or available on a timely basis to pay the Bonds in full.

Bankruptcy proceedings by the Corporation could have adverse effects on holders of the Bonds, including (1) delay in enforcement of their remedies, (2) subordination of their claims to claims of those supplying goods and services to the Corporation after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (3) imposition without their consent of a plan of reorganization reducing or delaying payment of the Bonds. The effect of application of the United States Bankruptcy Code to any bankruptcy proceedings by the Corporation cannot be predicted and may be affected significantly by judicial interpretation.

The state of insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by a corporation in favor of the creditors of another, or the obligation of a Member of the Obligated Group to make debt service payments on behalf of another Member of the Obligated Group, is unsettled. The ability to enforce the Master Indenture or any Obligations, including Obligation No. 5, against any Member of the Obligated Group which would be rendered insolvent thereby could be subject to challenge. A Member of the Obligated Group may not be required to make any payment or to provide for the payment of any Obligations, or portion thereof, the proceeds of which were not loaned or otherwise disbursed to such Member of the Obligated Group, to the extent that such transfer would render the Member of the Obligated Group insolvent or

which would conflict with, not be permitted by or is subject to recovery for the benefit of other creditors of such Member of the Obligated Group under applicable laws.

Limitations on Pledged Assets

In the event of a default or an acceleration of the Bonds, the Bond Trustee is authorized to enforce the obligations evidenced by the Obligation under the Master Indenture. Enforcement of the pledge of the Pledged Assets and the Mortgaged Property may result in insufficient funds to pay the entire outstanding amount of principal and interest on the Bonds.

The Bankruptcy Code also grants broad power to a bankruptcy court to modify the rights of a creditor holding a secured claim. In the event of a bankruptcy proceeding involving the Corporation by virtue of the Master Indenture, the Master Trustee should be treated under the Bankruptcy Code as one holding a secured claim, to the extent provided in the Master Indenture. The potential effects of bankruptcy could be, among other things, to delay enforcement of remedies otherwise available to the Bond Trustee and allow the bankruptcy court, under certain circumstances, to subordinate the rights and liens created by the Master Indenture, to sell all or part of the Corporation's assets without application of the proceeds to the Obligations, to permit the Corporation to cure defaults, or to modify the terms of or payments due under the Loan Agreement, the Master Indenture, or the Obligations, as the case may be.

Limitations on Security Interests

The perfection of the security interests in the Pledged Assets of the Corporation may be limited by a number of factors. Under current law, such security interest may be limited by (i) statutory liens; (ii) rights arising in favor of the United States of America or any agency thereof; (iii) constructive trusts, equitable liens and other rights impressed or conferred by any federal or state court in the exercise of its equitable jurisdiction; (iv) the provisions of the Bankruptcy Code affecting assignments of revenues earned after or within 366 days prior to bankruptcy proceedings by or against the Corporation; (v) rights of third parties in such property converted to cash and not in the possession of the Master Trustee; and (vi) the requirement that appropriate financing or continuation statements be filed in accordance with the UCC as from time to time in effect.

Other Risk Factors

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

- (1) Employee strikes, labor shortages, and other adverse labor actions that could result in a substantial reduction in revenues without corresponding decreases in costs.
- (2) Increased costs and decreased availability of liability insurance.
- (3) Cost and availability of energy.
- (4) High interest rates, including the obligations of the Corporation under interest rate swaps, could strain cash flow or prevent borrowing for needed capital expenditures.
- (5) Changes to the demand for higher education in general or for programs offered by the Corporation in particular.
- (6) A decrease in student loan funds or other aid that permits many students the opportunity to pursue higher education.
- (7) An increase in the costs of health care benefits, retirement plans, or other benefit packages offered by the Corporation to its employees.
- (8) Litigation.

TAX EXEMPTION

Tax Exemption

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 Corporation 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 Corporation or the Agency to comply with such covenants may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to their date of issuance. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Corporation. 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 Corporation with respect to certain material facts within the knowledge of the Corporation which Bond Counsel has not independently verified and upon the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the Corporation, that the Corporation 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 Corporation has done nothing to impair such status. The tax exemption of interest on the Bonds is dependent upon, among other things, the Corporation's status as a "Section 501(c)(3) organization" and, therefore, the conclusion of Bond Counsel that such interest is excludable from gross income for federal income tax purposes is dependent, in part, upon such opinion of Dinse, Knapp & McAndrew, P.C.

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

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

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

Original Issue Discount

The excess, if any, of the amount payable at maturity of any maturity of the Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for federal and State income tax purposes to the same extent as interest on the Bonds. In general, the issue price of a maturity of the Bonds is the first price at which a substantial amount of Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers), and the amount of original issue discount accrues in accordance with a constant yield method based on the semi-annual compounding of

interest. A purchaser's adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Bonds is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisor with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

Bond Premium

The excess, if any, of the tax basis of the Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Bonds are required to decrease their adjusted basis in such Bonds by the amount of amortizable bond premium attributable to each taxable year such Bonds are held. The amortizable bond premium on such Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Bonds. Owners of such Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Backup Withholding

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

Future Tax Developments

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

LEGALITY OF BONDS FOR INVESTMENT

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

STATE NOT LIABLE ON BONDS

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

COVENANT BY THE STATE

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

RATING

It is expected that, when issued, the Bonds will have been rated "Baa2" with a stable outlook by Moody's Investors Service, Inc. ("Moody's").

Such rating reflects only the view of Moody's, and any explanation of the significance of the rating should be obtained from Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007. Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such rating could have an adverse effect on the market price or marketability of the Bonds. Such rating should not be taken as a recommendation to buy or hold the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore, Inc. (the "Verification Agent"), a firm of independent public accountants, will deliver to the Agency, on or before the settlement date of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, certain information provided by the Corporation and its representatives with respect to the refunding of the Series 2003A Bonds. Included in the scope of its engagement will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations used to fund the Escrow Fund to be established by the Escrow Agent to pay, when due, the maturing principal of interest on of the Series 2003A Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Corporation and its representatives. The Verification Agent's report of its verification will state the Verification Agent has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

NO LITIGATION

There is not now pending any litigation against the Agency restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which the Bonds 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 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 Corporation contemplated by the Loan Agreement.

The Corporation is not aware of any litigation pending or threatened, to which the Corporation is a party, wherein any unfavorable decision would adversely affect the ability of the Corporation to enter into the Loan Agreement or the Master Indenture, issue its Obligation No. 5, or carry out its obligations thereunder.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of legality by Sidley Austin LLP, New York, New York. Copies of such opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Agency by its counsel, Deppman & Foley, P.C., Middlebury, Vermont, for the Corporation by its counsel, Dinse Knapp & McAndrew, P.C., Burlington, Vermont, and for the Underwriter by its counsel, Burak Anderson & Melloni, PLC, Burlington, Vermont.

FINANCIAL ADVISOR

Public Financial Management, Inc., Boston, Massachusetts, served as Financial Advisor to the Agency in this transaction.

UNDERWRITING

The Underwriter will agree to purchase the Bonds from the Agency pursuant to a bond purchase agreement by and among the Agency, the Corporation and the Underwriter at a purchase price of \$10,460,423.45, equal to the principal amount of the Bonds, less an underwriter's discount of \$100,000.00 and net original issue discount of \$189,576.55. The bond purchase agreement provides that the Underwriter will purchase all of the Bonds, if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the bond purchase contract. The Underwriter intends to offer the Bonds to the public initially at the offering prices or yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice.

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

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 Corporation has undertaken in the Loan Agreement, for the benefit of the beneficial owners of the Bonds, to file certain annual financial and other information and notices required to be provided by Rule 15c2-12 with the Municipal Securities

Rulemaking Board (“MSRB”) in an electronic form specified by the MSRB (the “Undertaking”). The Undertaking may be amended or modified under certain circumstances set forth therein.

Specifically, the Loan Agreement requires the Corporation to provide to the MSRB certain financial, operating and statistical data relating to the Corporation not later than 120 days after the end of its fiscal year and notices of the occurrence of certain enumerated events. Failure to comply with these covenants is not an event of default under the Loan Agreements and will not result in acceleration of the Bonds. See “SUMMARY OF THE LOAN AGREEMENT — Secondary Market Disclosure” in Appendix C-1 to this Official Statement.

The Corporation is currently party to continuing disclosure undertakings with respect to the Series 2003A Bonds. Such continuing disclosure undertakings require the Corporation to provide certain annual operating and financial information for filing with the nationally recognized municipal securities information repositories. For the fiscal year ending June 30, 2009, the Corporation filed its audited financial statements and certain statistical and operating data as required by its disclosure undertaking. Due to clerical error, the Corporation failed to file its audited financial statements for the 2003 through 2008 fiscal years and the required statistical information for the years 2003 through 2008 as required by such undertaking. On or about January 8, 2010, the Corporation filed with the MSRB the financial statements and other information for the missing fiscal years and on or about January 18, 2010, filed with the MSRB a Notice of Failure to Provide Annual Financial Information.

The Agency has not committed to provide any continuing disclosure to the beneficial owners of the Bonds or to any other person.

MISCELLANEOUS

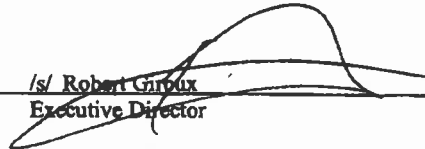
The foregoing summaries and explanations do not purport to be comprehensive and are expressly made subject to the exact provisions of documents referred to herein. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, such statements 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. This Official Statement is not to be construed as constituting an agreement between the Agency, the Corporation, or any Member of the Obligated Group, and purchasers, owners of, or holders of beneficial interests in, the Bonds.

The Corporation has reviewed the information contained herein which relates to it, its plan of financing, the Project, its operations and finances, 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 and approved by the Corporation.

VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY

By:  _____
Executive Director

Approved:

VERMONT LAW SCHOOL, INC.

By: /s/ Lorraine Atwood
Vice President for Finance
and Administration

APPENDIX A

INFORMATION CONCERNING VERMONT LAW SCHOOL, INC.

Overview

Vermont Law School, Inc. (“Vermont Law School” or the “Law School”) is a Vermont, non-profit corporation, exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Vermont Law School is an independent, private law school located in the Village of South Royalton, Vermont offering degrees in both law and environmental policy.

History of the School

Vermont Law School was founded in 1972 with the first class enrolled in 1973 and graduated 1976. With a motto of: *Lex pro urbe et orbe* – Law for the community and the world, in a short span of time, the Law School has earned national recognition for its innovative programs and talented faculty, and has become an indispensable legal resource for the regional community. The Law School’s mission statement is: “To educate students in a diverse community that fosters personal growth and that enables them to attain outstanding professional skills and high ethical values with which to serve as lawyers, and environmental and other professionals in an increasingly technological and interdependent global society.”

The Law School is accredited by the American Bar Association and the New England Association of Schools and Colleges (NEASC). The Law School is a member of the Association of American Law Schools (AALS).

Vermont Law School is an independent, private law school and is the only law school in Vermont. Vermont Law School offers a strong and varied Juris Doctor (JD) curriculum that prepares graduates to practice law in any state. It provides broad range clinical and experiential programs, and has a leading law school-based program in environmental law. The Law School also offers a Master of Environmental Law and Policy (MELP) degree for lawyers and non-lawyers, a post-JD degree, the Master of Laws in Environmental Law (LLM), for qualified lawyers who wish to develop an environmental law specialty and a LLM in American Legal Studies for international students. All of these programs emphasize public citizenship and public service.

Vermont Law School launched its Environmental Law Center in 1978. Now the largest graduate environmental law program in the country, the center received the 2002 American Bar Association Award for Distinguished Achievement in Environmental Law and Policy. Vermont Law School is regularly ranked first in *U.S. News and World Report’s* annual survey of environmental law programs.

Other key features of the school include the South Royalton Legal Clinic, which provides a range of legal services for lower-income Vermonters in a broad array of civil cases and has won precedent-setting cases before the U.S. District Court for the District of Vermont and the Vermont Supreme Court; the Semester in Practice Program (SiP), which enables JD students to participate in intensive, full-time, field work practicums; and the General Practice Program (GPP), which provides a wide range of simulation classes.

Vermont Law School’s Environmental Law Center, established in 1978, has the largest and deepest environmental program of any law school, offering over 50 environmental law courses focusing on crucial issues such as sustainable development, global warming, environmental and energy law and policy, and environmental taxation. Our clinic participants litigate real-world cases in these fields.

The Institute for Energy and the Environment serves as a resource on energy law and policy. The Institute develops scholarly, technical and practical publications; provides forums and conferences for professional education and issue development; and serves as a center for graduate research on energy issues. The Environmental and Natural Resources Law Clinic was established in 2002. It specializes in major case environmental litigation, including winning a major victory for the endangered gray wolf; protecting wetlands and tributaries; standing up for the health of individuals threatened by the mining operations of a major, multi-national company; and defending a sacred tribal site.

Vermont Law School's Environmental Tax Policy Institute analyzes the ways in which taxation can be used to address environmental problems. By serving as a resource for the public and private sectors, non-governmental organizations, the press and academia, the Institute seeks to better inform the public policy debate about the role of environmental taxes at the local, state and federal levels. The Land Use Institute (LUI) addresses land use law and policy issues at the local, national, and international level. Recently, it has focused on smart growth principles, ecological planning, affordable housing, flood hazard mitigation, improving the confluence of energy and land use regulatory decision-making and other permitting processes, and land conservation strategies.

Vermont Law School in collaboration with Sun Yat-sen University in China launched the Partnership for Environmental Law in 2006 in response to the lack of knowledge, skills, and academic infrastructure needed to address environmental and energy challenges in China. Due to a series of USAID and State Department grants, this program has expanded significantly and is now the leading law school-based environmental law program in China.

Vermont Law School also provides joint and dual degree offerings with other institutions, including Dartmouth College, University of Vermont, University of South Dakota, University of South Carolina and Yale University. Internationally, the Law School has student exchange or joint degree programs with McGill University (Montreal), the University of Paris 13, the University of Cergy-Pontoise (France), Petrozavodsk State University Law Faculty (Russia), the University of Seville (Spain), the University of Trento (Italy), and Sun Yat-Sen University School of Law (China). Vermont Law School and the University of Cergy-Pontoise (France) offer a dual JD/MILDJCE degree program in the law of business organizations to students from both institutions.

Governance

Vermont Law School is governed by a Board of Trustees. The current members of the Board and its officers are listed below.

Vermont Law School Officers and Board of Trustees:

Officers:

- Edward C. Mattes '83, Chair; Co-founder and CEO Avant Garde Therapeutics and Technologies LLC, Tuxedo Park, NY.
- Geoffrey B. Shields, (Trustee Ex-Officio), Vermont Law School President, Dean, and Professor of Law, South Royalton, VT.
- Perez Erich, Vice Chair; Hemmings Mustang Market & Tech Guides, Bennington, VT.
- Lorraine Atwood, Treasurer; Vice President for Finance and Administration, Vermont Law School, South Royalton, VT.
- Helen McCarthy, Secretary; Special Assistant to the President and Dean, Vermont Law School, South Royalton, VT.

Members:

- Richard E. Ayres, Principal, Ayres Law Group, Washington, D.C.
- Edna Baugh '83, Partner, Stephens & Baugh, LLC, Maplewood, NJ.
- Glenn J. Berger '78, Partner, Skadden, Arps, Slate, Meagher & Flom LLP, Washington, D.C.
- Randolph D. Brock III, State Senator, State of Vermont, St. Albans, VT.
- Colleen Connor '85, Manager and Counsel, Transaction-Environmental Protection, General Electric Company, Fairfield, CT.
- M. Jerome Diamond, Partner, Diamond & Robinson PC, Montpelier, VT.
- Christopher Dutton, President and CEO, Vermont Electric Power Company, Rutland, VT.
- Janice Forgays '85, Attorney, Hingham, MA.
- Sheppard Guryan, Managing Member, Lasser Hochman, LLC, Roseland, NJ.
- The Honorable Peter W. Hall, United States Circuit Judge, United States Court of Appeals for the Second Circuit, Rutland, VT.
- James Hanson II '83, President and CEO, Hampshire Real Estate Company, Morristown, NJ.

- Randy A. Hertz, Vice Dean and Director, Clinical and Advocacy Programs, New York University School of Law, New York, NY.
- Jason Hutt '98 (Alumni Trustee), Partner, Bracewell & Guiliani LLP, Washington, D.C.
- Jean-Paul Isabelle '11, Vermont Law School Student Trustee, South Royalton, VT.
- Gerard Jones, retired Partner, Richards & O'Neil, L.L.P. in New York, Woodstock, VT.
- William Leckerling, '82 Partner, Lisman, Webster & Leckerling, P.C., Burlington, VT.
- William Lytton, Senior Counsel, Dechert LLP, New Canaan, CT.
- Lori Malloy, Esq. New York, NY.
- Mathew Matule, '94, Partner, Skadden, Arps, Slate, Meagher & Flom LLP, Boston, MA.
- George C. McKann, Partner, Drinker Biddle & Reath LLP, Chicago, IL.
- Kevin Mendik '87, Environmental Protection Specialist, National Park Service, Boston, MA.
- Robert D. Rachlin, Senior Director, Downs Rachlin Martin PLLC, Burlington, VT.
- Mark Sciarrotta '96 (Alumni Trustee), Senior Counsel, Vermont Electric Power Company, Inc. Rutland, VT
- Charles E. "Rick" Shafer '77, Of Counsel, Riehlman Shafer & Shafer, Tully, N.Y., President, Green Lake Associates, Tully, NY.
- Alison Stone '12, Vermont Law School Student Trustee, South Royalton, VT.
- Robert Taisey, Partner, Holland & Knight, New York, NY.
- Mary G. Wilson, Partner, SNR Denton US LLP, Chicago, IL.
- Frances E. Yates, PhD, Camden, ME.

Staff and Faculty Representatives to the Board of Trustees:

- Stephen Dycus, Vermont Law School Faculty Representative; Professor of Law
- Jennifer Hayslett, Vermont Law School Staff Representative; Senior Director of Capital and Major Giving

Trustees Emeriti:

- Ann Debevoise, Woodstock, VT.
- Professor John W. Hennessey Jr., Burlington, VT.
- The Honorable Philip Hoff, Burlington, VT.
- Bernard Lisman, Esq. Fort Myers, FL.
- R. Allan Paul, Esq. Burlington, VT

Administration

The Dean of the Law School is appointed by the Board of Trustees upon recommendation of the Faculty. As chief executive officer his principal responsibility is for the administration of the Law School. All other executive officers of the Law School are appointed by the Dean. The Vice Presidents are approved by the Board of Trustees. The principal executive officers of the Law School are as follows:

Geoffrey B. Shields, President, Dean and Professor became Vermont Law School's seventh dean in August of 2004. Before coming to Vermont Law School, he was a partner and past chair of the Management Committee of the Chicago and Washington, DC, law firm of Gardner Carton and Douglas, where he specialized in legal issues relating to not-for-profit institutions, including mergers and acquisitions, restructuring, finance, joint ventures, and related tax and securities matters focusing particularly on the health care industry and non-profit organizations.

Dean Shields received his BA in economics, magna cum laude, from Harvard College in 1967, and in 1972, he received his JD from Yale Law School, where he was a member of the Yale Law Journal. He received an honorary doctor of laws degree from Lake Forest College (Ill.) in 2000. Dean Shields has edited four books and written over 30 articles on foreign policy issues, health care financing, mergers and acquisitions, restructuring, and environmental issues. He has served as vice chair and treasurer of the Chicago Council on Foreign Relations and is an active member of the Council on Foreign Relations in New York. He is past chair of the board of trustees of Lake Forest College and formerly served on the board of Bennington College, Hospital Billing and Collection Service,

Fletcher Allen Health Care, and The Vermont Business Roundtable. He currently serves as Chair on the board of Ziegler Companies, Inc. Dean Shields is a member of the District of Columbia, Illinois, and Vermont bars.

Gilbert Kujovich, Associate Dean of Academic Affairs and Professor of Law was appointed in 2008. Professor Kujovich specializes in constitution law, civil rights law, and administrative law. His courses at Vermont Law School include Constitutional Law, Civil Rights Law, and Federal Courts. He received his BA degree, *cum laude*, from Middlebury College in 1969 and his JD degree, *magna cum laude*, from Harvard University in 1975. Upon graduating from law school, he clerked for Judge Shirley Hufstедler of the United States Court of Appeals for the Ninth Circuit and for Justices Potter Stewart and Byron White of the United States Supreme Court. He then became special assistant to the general counsel, Department of Defense, from 1977 to 1979. Professor Kujovich served as counsel to the White House Intelligence Oversight Board from 1979 to 1980. He then served as assistant to the U.S. Secretary of Education and joined the Vermont Law School faculty in 1981.

Lorraine Atwood, Vice President for Finance and Administration was appointed to her position in 2006. Ms. Atwood received her BS degree in Economics from Williams College and her MS degree in Accounting from Northeastern University. She attended the Vermont Leadership Institute of the Snelling Center for Government. Her career highlights include serving as a senior accountant for Coopers & Lybrand and business manager for a healthcare software company in Boston. Regional positions include comptroller of D.T.S.S., a Metropolitan Life Insurance company subsidiary based in Hanover, NH and part-time positions with Tally Systems, Hanover, NH and Bridgman Valiante & Villard, P.C., Lebanon, NH. She currently serves on the Snelling New England Association of Schools and Colleges committee for annual review of finance and enrollment.

Kathleen T. Hartman, Associate Dean for Enrollment Management was appointed in November, 2001. She received her BA degree in political science and history from Mercer University in 1975 and her M.Ed. in student personnel in higher education from The University of Georgia in 1985. She began her career in higher education administration as an undergraduate admissions counselor with The University of Georgia from 1977 – 1982 and then held the position of law school admissions counselor for two years. While completing her master's degree, she held a graduate student assistantship in the law school Office of Career Services. After graduation, Dean Hartman worked with Stetson University from 1985 – 1997, the first five years as Director of Career Services and then for seven years as Director of Admissions and Financial Aid. In 1997, she moved to Barry University as the Dean of Administration.

Dean Hartman has served in numerous leadership positions with the National Association for Law Placement, the Law School Admission Council, the National Network of Law School Offices and the American Association for Registrars and Admission Officers.

Shirley A. Jefferson, Associate Dean for Student Affairs and Diversity joined Vermont Law School in 1999 as the Director of Alumni Relations and Special Assistant for Admissions. She was promoted to interim Assistant Dean for Student Affairs and Diversity in August, 2001 and was appointed to her present position in January, 2002.

Assistant Dean Jefferson was previously employed by the United Black Fund, Inc. in Washington, DC, where she served as general counsel. She received her Bachelor of Science in Public Administration degree, *summa cum laude*, from Southeastern University and her Juris Doctor degree from Vermont Law School.

Outside volunteer contributions include the Vermont Law School Alumni Association Board of Directors, United Black Fund of America, Inc., and board member of the International United Black Fund, Inc. Assistant Dean Jefferson has also been a board member and legal advisor for the New Image Child Development Center, Inc.; Capital Commitment, Inc.; The Virgin Clubs of America, Inc.; and the Sickle Cell Disease Association of Greater Washington, Inc. Additionally, Assistant Dean Jefferson has served as legal advisor for Never Say Never, Inc.; Leadership Enrichment Affirmations Program, Inc.; The Fishing School, Inc.; The Foundation in Youth Boxing; D.C. Boy's Choir; and the Lean on Me Foundation.

Marc Mihaly, Associate Dean for the Environmental Program and Director of Environmental Law Center is one of the nation's leading environmental law attorneys. Professor Mihaly received his BA degree from Harvard College and, after service in the Peace Corps, received his JD degree from Boalt Hall School of Law, University of California, Berkeley, where he was editor in chief of the Ecology Law Quarterly. He then served with

the environmental unit of the California Attorney General's Office and with the San Mateo County Legal Aid Society. Professor Mihaly cofounded Shute, Mihaly and Weinberger (San Francisco) in 1980 and served as its managing partner for 17 years. His practice has included three decades of trial and appellate litigation practice on behalf of governments and community-based organizations on environmental issues.

Faculty

The teaching faculty for Vermont Law School includes 64 full-time faculty members and 36 adjunct members for the 2010/11 academic year. Of the full-time tenure-track faculty, 36% are tenured. The Law School maintains a student to faculty ratio of approximately 13 to 1.

Employee Relations

In addition to its 64 faculty members, the Law School had approximately 83 full-time and 10 part-time administrative staff members for the 2010/11 academic year. None of these employees is covered by collective bargaining agreements.

Retirement Plans

The Law School has a Defined Contribution Retirement Plan to which it contributes at the rate of 8% of salaries for participants. The plan is currently fully funded.

Post-Retirement Obligations

The Law School has no post-retirement obligations.

Capital Facilities

Vermont Law School's campus consists of 13-acres along the White River and is within a National Register Historic District. Facilities include 19 buildings, many from the 19th and early 20th centuries, a contemporary community center, and a modern library and the James L. and Evelena S. Oakes Hall which opened in 1998 as the Law School's new classroom building, which received numerous awards for its resource-saving design and construction. The centerpiece campus building is Debevoise Hall, which formerly served as the town of Royalton's public school until 1952. In 2005, it was completely renovated and received a LEED silver award for environmental excellence. The Law School does not offer any on-campus student housing.

The Law School's current operating budget funds "depreciation" to help maintain the school's facilities.

Operating Information

Admissions and Student Enrollment

Identified in the following table are the first year applications received for admissions to the Law School over the past five academic years, applications accepted and first year fall enrollments. The Law School has a specialized niche of applicants that come from a national and international population.

ADMISSIONS STATISTICS

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
Applications	1119	989	1103	884	1056
Acceptances	632	580	599	590	628
Acceptance Ratio	56%	56%	54%	66%	59%
Matriculants	202	193	191	233	212
Matriculation Ratio	32%	33%	32%	39%	33%

LSAT AND GPA STATISTICS OF INCOMING STUDENTS

The following table indicates the median grad point average and LSAT exam scores of incoming students for the past five academic years.

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
Median undergraduate GPA of Incoming Students (50%)	3.27	3.25	3.22	3.32	3.35
Median LSAT Score of Incoming Students (50%)	154	155	155	155	156

ENROLLMENT SUMMARY

The following table shows the enrollment of students in both the J.D. program and the Masters of Environmental Law and Policy and LLM programs for the past five academic years.

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
JD Headcount	552	555	539	567	607
MELP and LLM Headcount	61	67	62	94	87
Total	613	622	601	661	694

GEOGRAPHIC PROFILE OF ENTERING FIRST YEAR STUDENTS

Vermont Law School's student body is a national student body. For the fiscal year ended June 30, 2010, the entering class represented 44 states and territories and 12 foreign countries and 153 colleges and universities. The graduation class of 2010 sat for the bar in 32 states.

RETENTION FIRST YEAR TO SECOND YEAR

The Law School historically retains, on average, 92% of its enrolled first year class. There is very little attrition after the first year.

<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
86%	96%	87%	93%	91%

TUITION RATES FOR COMPETITIVE LAW SCHOOLS

The following lists the Law School's top five competitors as determined by common acceptances. Vermont Law School attracts both a regional and national applicant pool with strong interests in environmental and social justice programs. Therefore, our competitor institutions reflect the top environmental schools as well as schools located throughout the northeast.

Albany Law School

Pace University School of Law

University of Denver Sturm College of Law

Western New England College, School of Law

Lewis & Clark School of Law

DEGREES AWARDED

<u>Degree</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
JD	185	173	191	165
MELP	89	67	79	64
LLM	14	8	7	17

Tuition and Fees

For the 2011 fiscal year, full-time tuition at the Law School is \$41,795. Tuition accounts for approximately 81% of the Law School's operating income. For the 2012 fiscal year, tuition will be increasing 4.0% to \$43,467. Tuition rates for the last five fiscal years are listed in the following table:

STUDENT CHARGES

	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
Tuition	\$29,730	\$31,514	\$38,408	\$39,995	\$41,795
Fees	535	535	535	535	535

Student Scholarship

The Law School administers a student scholarship program through which approximately 90% of the student body receives some form of student loans, merit scholarships, fellowships, and/or grants. For the 2010 fiscal year, the Law School provided approximately \$6.2 million in institutional scholarship to students. A summary of the funds provided for scholarships for the past five fiscal years appears in the following table.

SOURCES OF SCHOLARSHIP AND GRANT AID

	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
Law School	\$ 2,387,197	\$ 2,486,038	\$ 3,035,566	\$ 3,840,542	\$ 6,241,831	\$ 7,656,658
Federal Loans	11,724,063	21,139,165	24,087,470	24,163,693	27,168,384	26,598,036
Private	10,705,026	1,004,623	306,304	208,280	141,054	164,649

In addition to scholarship and grant aid, students financed their educational costs with jobs and loans. In fiscal year 2010, 217 students earned approximately \$547,900 from Law School sponsored employment opportunities.

ANNUAL FINANCIAL INFORMATION

Budget and Reporting Procedures

The Vice President for Finance and Administration is responsible for preparing an annual revenue budget based on three-year projections. Department heads submit budgetary needs to their respective Deans. The Vice President works with the Board of Trustees Budget and Finance Committee to recommend a tuition rate that is approved by the full Board usually in the February meeting. As part of the budget process, the Vice President works with a campus committee composed of students, faculty and staff to review the budget assumptions. Budget assumptions for enrollment targets and tuition increases are shared with the faculty, staff and students at various meetings.

During the October Board meeting, the Vice President reports on the status of achieving the budget based on the fall enrollments. The budget is again reviewed in mid January once spring enrollments are predictable and adjustments are made as required. Generally, the Board approves a budget resolution at its February meeting.

Accounting and Financial Reporting

The Financial Statement summaries below compare the audited results of Vermont Law School for the past five fiscal years. The audited financial statements of Vermont Law School for fiscal years ending June 20, 2010 and June 30, 2009 are attached as Appendix B to this Official Statement.

VERMONT LAW SCHOOL
Statement of Financial Position
Fiscal years Ended June 30

	2006	2007	2008	2009	2010
ASSETS					
Cash and cash equivalents and short term investments	\$ 4,911,297	\$ 6,452,227	\$ 5,944,769	\$ 6,781,981	\$ 7,001,550
Accounts receivable, net	205,889	502,693	709,709	846,968	982,288
Pledges receivable and estates in probate, net	1,007,704	1,776,427	846,508	688,246	862,701
Investments	10,292,632	12,180,691	12,186,476	8,473,622	9,984,119
Beneficial interest in trusts	198,000	224,000	209,000	120,000	130,000
Land, property and equipment, net	17,392,788	17,103,863	17,428,914	17,318,350	17,605,297
Student loans receivable, net	3,318,732	3,264,443	2,939,167	2,775,076	2,948,587
Other assets	1,648,353	1,125,620	1,444,737	1,708,393	1,570,189
TOTAL ASSETS	\$ 38,975,395	\$ 42,629,964	\$ 41,709,280	\$ 38,712,636	\$ 41,084,731
LIABILITIES					
Accounts payable	\$ 518,180	\$ 622,071	\$ 496,350	\$ 383,490	\$ 471,448
Accrued expenses	1,167,468	934,181	762,949	889,083	1,139,944
Deposits and deferred revenue	1,120,562	1,250,734	1,392,043	1,523,833	1,908,378
US Government student loan program advances	2,327,366	2,327,366	2,327,366	2,327,366	2,327,366
Notes payable	0	0	0	0	0
Bonds payable	9,799,323	9,762,070	9,720,260	9,493,450	10,101,639
Other Liabilities	137,128	28,798	20,098	10,528	0
TOTAL LIABILITIES	\$ 15,070,027	\$ 14,925,220	\$ 14,719,066	\$ 14,627,750	\$ 15,948,775
NET ASSETS					
Unrestricted	\$ 17,973,760	\$ 19,753,293	\$ 19,421,096	\$ 16,894,025	\$ 17,557,744
Temporarily restricted	1,701,554	2,957,520	2,289,124	2,798,225	2,686,380
Permanently restricted	4,230,054	4,993,931	5,279,994	4,392,636	4,891,832
TOTAL NET ASSETS	\$ 23,905,368	\$ 27,704,744	\$ 26,990,214	\$ 24,084,886	\$ 25,135,956
TOTAL LIABILITIES AND NET ASSETS	\$ 38,975,395	\$ 42,629,964	\$ 41,709,280	\$ 38,712,636	\$ 41,084,731

VERMONT LAW SCHOOL
Statement of Activities
Fiscal Years Ended June, 30

	2006	2007	2008	2009	2010
REVENUE AND GAINS:					
Student tuition and fees	\$19,305,914	\$19,941,768	\$21,612,666	\$23,369,963	\$27,158,434
Less institutional aid	-2,387,197	-2,486,038	-3,035,566	-3,840,542	-6,241,831
Net tuition and fees	\$16,918,717	\$17,455,730	\$18,577,100	\$19,529,421	\$20,916,603
Contributions	2,091,706	2,859,919	1,623,206	1,269,141	1,048,422
Grants and contracts	9,413	287,615	597,595	1,147,720	1,984,889
Federal aid to students	433,321	436,332	452,505	498,665	567,094
Endowment investment return designated for operations	370,580	430,573	491,694	548,134	366,619
Other investment income	275,306	390,733	232,603	44,129	115,598
Sales and services of auxiliary enterprises	280,588	229,853	250,769	196,353	268,939
Other revenue	830,664	511,317	433,814	461,170	610,303
Total revenues and gains	\$21,210,295	\$22,602,072	\$22,659,286	\$23,694,733	\$25,878,467
PROGRAM EXPENSES:					
Instruction	\$ 9,466,495	\$10,152,195	\$11,262,676	\$12,585,478	\$13,004,562
Academic support	1,648,721	1,538,035	1,743,422	1,773,916	1,857,800
Student services	3,215,819	3,175,207	3,677,685	3,521,533	3,865,761
Institutional support	3,378,815	3,279,991	3,871,849	4,075,288	4,229,257
Fundraising	1,159,836	861,733	914,159	910,404	943,462
Auxiliary	465,391	423,669	446,201	442,743	709,561
Total program expenses	\$19,335,077	\$19,430,830	\$21,915,992	\$23,309,362	\$24,610,403
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	\$ 1,875,218	\$ 3,171,242	\$ 743,294	\$ 385,371	\$ 1,268,064
NON-OPERATING ACTIVITIES					
Purchase of collections	\$ -645,975	\$ -669,340	\$ -682,082	\$ -650,285	\$ -730,048
Investment return reduced by amount designated for current operations	382,919	1,297,474	-775,742	-3,196,882	1,247
Contributions	0	0	0	702,177	854,142
Non operating expenses	0	0	0	-145,709	-342,335
Total Non-Operating Activities	\$ -263,056	\$ 628,134	\$ -1,457,824	\$ -3,290,699	\$ -216,994
Increase in net assets	\$ 1,612,162	\$ 3,799,376	\$ -714,530	\$ -2,905,328	\$ 1,051,070
Net assets, beginning of year	\$22,293,206	\$23,905,368	\$27,704,744	\$26,990,214	\$24,084,886
Net assets, end of year	\$23,905,368	\$27,704,744	\$26,990,214	\$24,084,886	\$25,135,956

Management Report of Operating Results

The Law School has been actively implementing its plan to enhance its programs and thus its reputation as one of the nation's leading environmental and public interest law schools. The School continues to expand its international programs.

The Law School is attracting a student body with increasingly higher LSAT and GPA indicators as part of the School's strategic initiative to increase student capability. Each year, the Law School consistently has a waiting list of students who would like to be accepted to the Law School. The Law School is planning to stay at its current JD enrollments levels. However, there are plans to increase its Masters programs with a small distance learning program to diversify revenue streams. Vermont Law School's summer program continues to attract national scholars and contributes to the Law School's financial results.

For Academic year 2009-2010: the Law School realized an operating surplus of approximately \$1.2M for this period and an overall increase in net assets of \$1.0 million. Contributions and grants recorded were at a record high and were used in part to support highly successful programs such as the Energy Institute and the USAID China program. The Endowment returned 4% which was lower than planned due to a write off of real estate investments through the Commonfund. The Endowment still grew overall at approximately 5% due to gifts and contributions.

For Academic year 2010-2011: the Law School's entering class exceeded budgeted numbers due to a higher than normal acceptance rate of its offer of matriculation. The tuition discount decreased to 32% and is and it is currently anticipated it will decrease for 2011-2012. The Law School's enrollment is currently at 694 students, which is slightly higher than targeted. The Law School is forecasting to be on track to meet its budget for the 2011 fiscal year.

Management currently is targeting the enrollments of approximately 700 for the subsequent academic years.

Fundraising Activities

The Law School is in the middle of a capital campaign which started in fiscal year 2009. Gifts and grants for fiscal years 2006 through 2008 reflect the prior \$8 million campaign that successfully ended in fiscal year 2008 exceeding its goal by \$3 million. To date the current campaign has raised approximately \$10.4 million.

<u>Fiscal Year (June 30)</u>	<u>Gifts and Grants Received per audit report</u>
2006	\$2,101,119
2007	\$3,147,534
2008	\$2,220,801
2009	\$3,119,021
2010	\$3,890,133

Endowment

The Board of Trustees adopted a revised Investment Policy in January 2010. This policy addresses target asset allocation and spending from the Endowment. The Investment Committee periodically solicits requests for proposal for the management of its endowment and in January 2010 the Board approved transferring the management of the Endowment and Board-Designated funds from the Commonfund to Eaton Vance Investment Counsel. The Endowment was at approximately \$11,600,000, including contributions receivable, as of December 31, 2010.

Endowment Asset Allocation Targets and Actual as of December 31, 2010

Asset Class	Policy Target	12/31/10 Allocation
Equities	55%	55%
Fixed Income Securities	30%	30%
Alternatives	15%	13%
Cash	0%	2%

Spending Policy

The Law School's current spending policy is to distribute annually 5% of a trailing three-year average of the Endowment's and Board-Designated funds' total asset value.

Outstanding Indebtedness of the Law School

The Law School, as of fiscal year ended June 30, 2010, had long-term debt totaling \$10,101,639, net of unamortized discount of \$188,361. The long term bonds payable consist of the fixed rate Series 2003A Bonds which will be refunded using a portion of the proceeds of the Bonds, the variable rate Series 2003B Bonds (secured by a letter of credit from TD Bank, N.A.) in the amount of \$3,575,000, which will remain outstanding, and the \$850,000, variable rate private placement loan evidenced by Obligation No. 4, which is expected to be repaid by June 30, 2011. Please see Note 9 in the audited financial statements included as Appendix B.

Litigation

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

Insurance

Commercial property insurance coverage is provided by The Cincinnati Companies through insurance brokers Hackett Valine & MacDonald Inc. and includes all buildings on campus (in a current total amount of \$34 million of fixed casualty coverage) along with combined business income, personal property, equipment breakdown, ordinance, pollutant clean up and removal, electronic data processing, fine arts, commercial general liability, employee benefits liability, commercial crime, business auto, commercial umbrella, ERISA bond through Hartford Fire Insurance Company, workers' compensation, and educators legal liability through United Educators Insurance.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

VERMONT LAW SCHOOL, INC.
Fiscal Year ended June 30, 2010

[THIS PAGE INTENTIONALLY LEFT BLANK]

VERMONT LAW SCHOOL, INC.

FINANCIAL STATEMENTS

June 30, 2010 and 2009

With Independent Auditors' Report

VERMONT LAW SCHOOL, INC.

Table of Contents

	Page(s)
Independent Auditors' Report	1
Statements of Financial Position	2
Statement of Activities for the Year Ended June 30, 2010	3
Statement of Activities for the Year Ended June 30, 2009	4
Statements of Cash Flows	5
Notes to Financial Statements	6-28

BERRY.DUNN.MCNEIL & PARKER



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Vermont Law School, Inc.

We have audited the statement of financial position of Vermont Law School, Inc. (the Law School) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Law School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Law School as of and for the year ended June 30, 2009 were audited by other auditors whose report, dated October 26, 2009, expressed an unqualified opinion of those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Law School, Inc. as of June 30, 2010, 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.

We also audited the reclassification described in Note 1 that were applied to restate the 2009 financial statements. In our opinion, such reclassifications are appropriate and have been properly applied.

Manchester, New Hampshire
October 27, 2010
Registration No: 92-0000278

VERMONT LAW SCHOOL, INC.

Statements of Financial Position

June 30, 2010 and 2009

	<u>2010</u>	<u>Restated 2009</u>
ASSETS		
Cash and cash equivalents	\$ 7,001,550	\$ 6,781,981
Student tuition receivables, net of allowance of \$10,000 in 2010 and 2009	122,645	167,458
Other receivables	859,643	679,510
Prepaid expenses	303,096	312,774
Contributions receivable, net	862,701	688,246
Restricted cash	1,147,128	1,270,438
Investments	9,984,119	8,473,622
Notes and interest on notes receivable from students, net of allowance of \$480,633 and \$476,622 in 2010 and 2009, respectively	2,948,587	2,775,076
Investments held in trust by others	130,000	120,000
Bond issuance costs, net of accumulated amortization of \$36,512 and \$31,296 in 2010 and 2009, respectively	119,965	125,181
Collections (Note 1)	-	-
Property, plant and equipment, net of accumulated depreciation	<u>17,605,297</u>	<u>17,318,350</u>
Total assets	<u>\$ 41,084,731</u>	<u>\$ 38,712,636</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 471,448	\$ 383,490
Accrued expenses	1,139,944	889,083
Advance deposits on tuition and deferred revenue	1,908,378	1,523,833
Capital leases payable	-	10,528
Bonds payable, net of unamortized discount	10,101,639	9,493,450
Refundable advances - U.S. Government grants	<u>2,327,366</u>	<u>2,327,366</u>
Total liabilities	<u>15,948,775</u>	<u>14,627,750</u>
Commitments and contingencies (Notes 11, 18 and 19)		
Net assets		
Unrestricted:		
Available for operations	5,053,274	4,120,176
Designated for instruction	141,539	141,539
Designated for long-term investment	4,214,346	4,167,790
Net investment in property, plant and equipment	<u>8,148,585</u>	<u>8,464,520</u>
Total unrestricted	17,557,744	16,894,025
Temporarily restricted	2,686,380	2,798,225
Permanently restricted	<u>4,891,832</u>	<u>4,392,636</u>
Total net assets	<u>25,135,956</u>	<u>24,084,886</u>
Total liabilities and net assets	<u>\$ 41,084,731</u>	<u>\$ 38,712,636</u>

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

VERMONT LAW SCHOOL, INC.

Statement of Activities

Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	2010			Restated 2009
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues				
Tuition and fees	\$ 27,158,434	\$ -	\$ -	\$ 27,158,434
Less: Institutional aid and scholarships	<u>(6,241,831)</u>	<u>-</u>	<u>-</u>	<u>(3,840,542)</u>
Net tuition and fees	20,916,603	-	-	19,529,421
Federal aid to students	567,094	-	-	498,665
Grant revenues	1,984,889	-	-	1,147,720
Contributions	430,992	617,430	-	1,269,141
Other investment income	105,598	10,000	-	44,129
Investment income - spending policy	201,182	165,437	-	548,134
Auxiliary enterprises	268,939	-	-	196,353
Other sources	<u>610,303</u>	<u>-</u>	<u>-</u>	<u>461,170</u>
	25,085,600	792,867	-	23,694,733
Net assets released from restrictions	<u>673,002</u>	<u>(673,002)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>25,758,602</u>	<u>119,865</u>	<u>-</u>	<u>23,694,733</u>
Operating expenses				
Instruction	13,004,562	-	-	12,585,478
Academic support	1,857,800	-	-	1,773,916
Student services	3,865,761	-	-	3,521,533
Institutional support	4,229,257	-	-	4,075,288
Fundraising	943,462	-	-	910,404
Auxiliary enterprises	<u>709,561</u>	<u>-</u>	<u>-</u>	<u>442,743</u>
Total operating expenses	<u>24,610,403</u>	<u>-</u>	<u>-</u>	<u>23,309,362</u>
Change in net assets from operations	1,148,199	119,865	-	385,371
Non-operating revenue (expense)				
Purchase of collection items	(730,048)	-	-	(650,285)
Contributions	-	354,946	499,196	702,177
Other non-operating expenses	(342,335)	-	-	(145,709)
Investment income (loss), net of spending policy	44,956	(43,709)	-	(3,196,882)
Net assets released from restrictions	<u>542,947</u>	<u>(542,947)</u>	<u>-</u>	<u>-</u>
Change in net assets	663,719	(111,845)	499,196	(2,905,328)
Net assets, beginning of year	<u>16,894,025</u>	<u>2,798,225</u>	<u>4,392,636</u>	<u>26,990,214</u>
Net assets, end of year	<u>\$ 17,557,744</u>	<u>\$ 2,686,380</u>	<u>\$ 4,891,832</u>	<u>\$ 24,084,886</u>

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

VERMONT LAW SCHOOL, INC.

Statement of Activities (Restated)

For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues				
Tuition and fees	\$ 23,369,963	\$ -	\$ -	\$ 23,369,963
Less: Institutional aid and scholarships	<u>(3,840,542)</u>	<u>-</u>	<u>-</u>	<u>(3,840,542)</u>
Net tuition and fees	19,529,421	-	-	19,529,421
Federal aid to students	498,665	-	-	498,665
Grant revenues	1,147,720	-	-	1,147,720
Contributions	608,397	585,727	75,017	1,269,141
Other investment income	44,129	-	-	44,129
Investment income - spending policy	256,820	291,314	-	548,134
Auxiliary enterprises	196,353	-	-	196,353
Other sources	<u>458,626</u>	<u>2,544</u>	<u>-</u>	<u>461,170</u>
	22,740,131	879,585	75,017	23,694,733
Net assets released from restrictions	<u>1,448,329</u>	<u>(1,373,329)</u>	<u>(75,000)</u>	<u>-</u>
Total operating revenues	<u>24,188,460</u>	<u>(493,744)</u>	<u>17</u>	<u>23,694,733</u>
Operating expenses				
Instruction	12,585,478	-	-	12,585,478
Academic support	1,773,916	-	-	1,773,916
Student services	3,521,533	-	-	3,521,533
Institutional support	4,075,288	-	-	4,075,288
Fundraising	910,404	-	-	910,404
Auxiliary enterprises	<u>442,743</u>	<u>-</u>	<u>-</u>	<u>442,743</u>
Total operating expenses	<u>23,309,362</u>	<u>-</u>	<u>-</u>	<u>23,309,362</u>
Change in net assets from operations	879,098	(493,744)	17	385,371
Non-operating revenue (expense)				
Purchase of collection items	(650,285)	-	-	(650,285)
Contributions	-	596,112	106,065	702,177
Other non-operating expenses	(145,709)	-	-	(145,709)
Investment loss, net of spending policy	(1,892,918)	(1,303,964)	-	(3,196,882)
Net assets released from restrictions	155,585	(155,585)	-	-
Net asset transfers between classifications	<u>(1,866,282)</u>	<u>1,866,282</u>	<u>-</u>	<u>-</u>
Change in net assets	(3,520,511)	509,101	106,082	(2,905,328)
Net assets, beginning of year	<u>20,414,536</u>	<u>2,289,124</u>	<u>4,286,554</u>	<u>26,990,214</u>
Net assets, end of year	<u>\$ 16,894,025</u>	<u>\$ 2,798,225</u>	<u>\$ 4,392,636</u>	<u>\$ 24,084,886</u>

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

VERMONT LAW SCHOOL, INC.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

	<u>2010</u>	Restated <u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 1,051,070	\$ (2,905,328)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	916,843	959,325
Provision for losses on contributions and notes receivable	65,988	71,814
Loss on sale of equipment	6,106	-
Net (appreciation) depreciation in fair value of investments	(235,929)	2,814,097
Contributions received for long-term investment	(854,142)	(702,177)
Change in operating assets and liabilities		
Student tuition and other receivables	(135,320)	(137,259)
Contributions receivable	(90,815)	84,041
Prepaid expenses	9,678	(74,287)
Investments held in trust by others	(10,000)	89,000
Accounts payable	31,598	(74,569)
Accrued expenses	250,861	126,134
Advance deposits on tuition and deferred revenue	<u>384,545</u>	<u>131,790</u>
Net cash provided by operating activities	<u>1,390,483</u>	<u>382,581</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,140,131)	(873,646)
Proceeds from sale of investments	11,131,123	942,729
Purchase of investments	(12,405,691)	-
Decrease (increase) in restricted cash	123,310	(194,585)
Disbursements of loans to students, net of repayments	<u>(177,522)</u>	<u>93,952</u>
Net cash used by investing activities	<u>(2,468,911)</u>	<u>(31,550)</u>
Cash flows from financing activities		
Proceeds from borrowings on bonds payable	850,000	-
Principal payments on bonds payable	(250,000)	(235,000)
Payments on capital leases payable	(10,528)	(9,570)
Contributions received for long-term investment	<u>708,525</u>	<u>774,720</u>
Net cash provided by financing activities	<u>1,297,997</u>	<u>530,150</u>
Net increase in cash and cash equivalents	219,569	881,181
Cash and cash equivalents, beginning of year	<u>6,781,981</u>	<u>5,900,800</u>
Cash and cash equivalents, end of year	<u>\$ 7,001,550</u>	<u>\$ 6,781,981</u>

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

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization

Vermont Law School, Inc. (the Law School) is an independent, private institution governed by its own board of trustees. The only law school in Vermont, the Law School was incorporated in 1972, admitted its first class in the fall of 1973, and awarded its first Juris Doctor degrees in May, 1976. The Law School has been accredited by the American Bar Association since 1978 and has been a member of the Association of American Law Schools since 1982. The Law School's Environmental Law Center opened in 1978 to encourage the study of environmental law and policy as an interdisciplinary field. The program has been accredited by the New England Association of Schools and Colleges since 1980.

The Law School's campus is located in a small, rural New England village. Students, faculty, and staff work in a supportive environment where community, rather than competition, is nurtured. The Law School places an emphasis on environmental and public interest law and prepares students for practice throughout the country.

The Law School offers a Juris Doctor (J.D.) Degree and, through the Environmental Law Center, the Master of Environmental Law and Policy (M.E.L.P.) Degree and the Masters of Laws in Environmental Law (L.L.M.). A joint J.D./M.E.L.P. degree course of study is also offered. Annual enrollment in the programs is approximately 660 students.

Financial Statement Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, focus on the Law School as a whole. Assets and liabilities have been shown in order of liquidity. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Law School. Generally, the donors of these assets permit the Law School to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met by actions of the Law School and/or the passage of time.

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, situations in which the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

The Law School reports contributions of property, plant or equipment as unrestricted non-operating support unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support and released from restrictions when the assets are acquired and placed in service.

Dividends, interest and net gains on investments of endowments and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of income or net gains; and
- as increases in unrestricted net assets in all other cases.

Operating Income

The statement of activities reports the changes in net assets from operating and non-operating activities. Tuition revenue is recorded at the established rates, net of institutional financial aid and endowed scholarships provided directly by the Law School for students. Other operating revenues consist of those items attributable to the Law School's instructional programs. Other investment income primarily relates to interest income from operating cash accounts.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Changes in net assets which are excluded from operating activities include other non-operating expenses, purchase of collection items, investment income (loss), net of spending policy, contributions which are permanently restricted by the donor or which are donor restricted to be used for the purposes of acquiring long-term assets, and the release thereof when the Law School has complied with the donative restriction. Other non-operating expenses include expenses related to capital campaign activities, as well as professional fees for potential capital projects that were not started, evaluation of the effects of restructuring bonds payable agreements, and certain other non-recurring professional fees.

Functional Expenses

Expenses are reported on the statement of activities in categories recommended by the National Association of College and University Business Officers. The Law School's primary program service is instruction. Expenses reported as academic support, student services, institutional support, fundraising and auxiliary enterprises are incurred in support of this primary program service.

Expenses associated with the operation and maintenance of the Law School plant assets, including interest and depreciation expense, are allocated on the basis of square footage utilized by the programs, as described in the functional categories.

Cash and Cash Equivalents

The Law School considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. Interest income received on cash and cash equivalents is included in other investment income on the statement of activities.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities and life insurance policies are reported at fair value with gains and losses included in the statements of activities.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Contributions Receivable

Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing a risk-free rate of return, commensurate with the risks involved in the collection of outstanding promises to give. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. The Law School provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Law School has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contributions receivable.

Student Tuition Receivables

Student tuition receivables represents amounts due for tuition and fees from currently enrolled and former students. The Law School extends unsecured credit to students in connection with their studies. Student tuition receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through the allowance for uncollectible accounts. Changes in the allowance have not been material to the financial statements.

Notes and Interest on Notes Receivable

Notes receivable from students are carried at the unpaid principal balance less an allowance for uncollectible loans. The allowance for uncollectible loans is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on Perkins loan program requirements, the Law School's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay and current economic conditions. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The Law School's practice is to charge off any loan or portion of loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition or other reasons. Student loans are considered past due based on contractual terms. At June 30, 2010 and 2009, student loans receivable past due 90 days or more and continuing to accrue interest total \$405,399 and \$422,890, respectively.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Interest receivable not expected to be collected has been included in the allowance for doubtful accounts.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Other Receivables

Other receivables are stated at the amount management expects to collect from outstanding balances. Amounts due are for the Federal Work-Study Program and other Federal and non-Federal grants and cooperative agreements, faculty mortgages, and employee advances.

Property, Plant and Equipment

Property, plant and equipment are stated at cost at the date of acquisition by the Law School, at fair market value at date of receipt in the case of donated property, or at appraised value for certain original components of the Law School complex. The Law School's policy is to capitalize property, plant and equipment with a cost or fair market value of greater than \$5,000 on an item basis and bulk purchase basis. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated Useful Lives (Years)</u>
Land improvements	15
Buildings	50
Library equipment	3 - 20
Furniture, fixtures and other equipment	3 - 10
Computer and communications infrastructure and software	3 - 25
Vehicles	6

Collection

The collection, which consists of library books, periodicals and related material, was acquired through purchases and contributions since the Law School's inception and is not recognized as an asset 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 decreases in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Bond Issuance Costs

Bond issuance costs have been capitalized and are amortized on a straight-line basis over the life of the bond.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Advance Deposits on Tuition and Deferred Revenue

Advance deposits on tuition and deferred revenue represents tuition for the Law School's summer school session and deposits made by students enrolling in subsequent semesters. Nonrefundable deposits are recorded as income when the student enters school or when the deposit is forfeited.

Bond Discount Amortization

The original bond discount is included in bonds payable and is amortized on a straight-line basis over the life of the bonds.

Concentrations

The Law School derives its revenue primarily from tuition.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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.

Risks and Uncertainties

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term would materially affect the amounts reported in the statement of financial position.

Federal Income Taxes

The Law School is a nonprofit Vermont corporation and a tax exempt educational institution as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is generally exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. The Law School is not a private foundation.

The Law School files IRS Form 990-T, *Exempt Organization Business Income Tax Return*, for certain food sales.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform with the 2010 financial statement presentation. The following reclassifications were made to the June 30, 2008 net asset balances previously reported in the 2009 financial statements to properly reflect net asset classifications:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net asset balances as of June 30, 2008, as previously reported	\$19,421,096	\$ 2,289,124	\$ 5,279,994	\$26,990,214
Reclassification of the Law School's Institutional Capital Contribution for the Federal Perkins Loan Fund	<u>993,440</u>	<u>-</u>	<u>(993,440)</u>	<u>-</u>
Net asset balances as of June 30, 2009, as restated	<u>\$20,414,536</u>	<u>\$ 2,289,124</u>	<u>\$ 4,286,554</u>	<u>\$26,990,214</u>

The following reclassifications were made to the statement of activities for the year ended June 30, 2009 previously reported:

- Revenue from other sources of \$170,629 from the Federal Perkins Loan Fund that was previously reported in permanently restricted net assets was reclassified to unrestricted net assets.
- Net assets released from restrictions of \$134,916 from permanently restricted net assets to unrestricted net assets related to the Federal Perkins Loan Fund was removed from the statement of activities.
- Net asset transfers from unrestricted net assets to temporarily restricted net assets effective July 1, 2008 was increased by \$1,496,943 for the unspent appreciation on endowment funds for which the income is unrestricted by the donor but restricted to time by state law.
- Investment income - spending policy on endowment funds for which the income is unrestricted by the donor but restricted by state law of \$119,707 for the year ended June 30, 2009 was reclassified from unrestricted net assets to temporarily restricted net assets. There was a corresponding increase in net assets released from restrictions from operations as these funds are available to the Law School. The investment loss in excess of the spending policy of \$625,066 for these funds was reclassified from unrestricted net assets to temporarily restricted net assets for the year ended June 30, 2009.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Law School has considered transactions or events occurring through October 27, 2010, which was the date that the financial statements were issued. The Law School has not evaluated subsequent events after that date for inclusion in the financial statements.

2. Cash and Cash Equivalents

The Law School maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Law School has not experienced any losses in such accounts. The Law School believes it is not exposed to any significant risk on cash and cash equivalents.

Cash equivalents held temporarily by the Law School investment managers are considered part of investments.

The Law School invested excess operating cash with the Commonfund Short Term Investments Fund (STIF), a bank commingled fund using Wachovia Bank N.A. as trustee (the Trustee), and sponsored by The Commonfund for Nonprofits (Commonfund). On September 29, 2008, the Trustee notified Commonfund and the fund participants that it was exercising its right to initiate the termination of the STIF, impose liquidity restrictions thereon, and establish procedures for an orderly liquidation and distribution of the fund's assets. The total Law School's funds invested at September 29, 2008 were \$9,536,021. As of June 30, 2009, approximately 88.9% of short term total assets were available for withdrawal. As of June 30, 2010, 100% of short term total assets were distributed to the Law School.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

3. Investments

Investments are comprised of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Intermediate cash fund	\$ 27,335	\$ 24,234
Other fixed income	520,771	1,103,460
Government securities fund	-	1,419,080
Domestic equities	4,763,704	5,474,575
Corporate bonds	474,678	-
U.S. Government bonds	2,453,807	-
Foreign equities	1,674,766	-
Life insurance	56,329	53,949
Real estate fund	<u>12,729</u>	<u>398,324</u>
	<u>\$ 9,984,119</u>	<u>\$ 8,473,622</u>

The Law School invested \$500,000 in 2003 in Common Fund Realty Investors, LLC, a real estate limited liability company, which is included in the Real Estate Funds listed above, and committed an additional \$320,000 which was invested in 2008. The fair market value of this investment was \$12,729 and \$398,324 at June 30, 2010 and 2009, respectively. Unrealized losses included in investment return were \$341,995 and \$596,184 for the years ended June 30, 2010 and 2009, respectively. For the fiscal year ended June 30, 2010, the endowment returned approximately 8% before writing down the real estate investment. After this write down, the portfolio returned approximately 4%.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Under the Law School's spending policy, five (5%) percent of the average of the fair value of the endowment investments at the end of the previous three (3) years as well as all investment income on operating funds are designated for current operations as follows for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Investment return:		
Interest and dividends	\$ 247,535	\$ 209,478
Net appreciation (depreciation) in fair value	<u>235,929</u>	<u>(2,814,097)</u>
Total return on investments	483,464	(2,604,619)
Less: Investment income designated for current operations:		
Investment income spending policy	366,619	548,134
Other investment income	<u>115,598</u>	<u>44,129</u>
Total designated for current operations	<u>482,217</u>	<u>592,263</u>
Investment income (loss) net of spending policy	\$ <u>1,247</u>	\$ <u>(3,196,882)</u>

Investment income is reported net of estimated investment expenses of \$38,874 and \$144,298 for the years ended June 30, 2010 and 2009, respectively.

4. Contributions Receivable

Contributions receivable consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Currently due	\$ 280,956	\$ 281,805
Less than one year	81,263	197,695
One to five years	670,803	420,842
More than five years	<u>25,608</u>	<u>14,004</u>
	1,058,630	914,346
Less: Allowance for uncollectible contributions	(144,843)	(206,820)
Unamortized discount of 3%	<u>(51,086)</u>	<u>(19,280)</u>
Net contributions receivable	\$ <u>862,701</u>	\$ <u>688,246</u>

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Included in contributions receivable is \$526,526 and \$390,960 due from Board members at June 30, 2010 and 2009, respectively.

5. **Restricted Cash**

Restricted cash includes amounts that have been established as required by the 2003 Series A bonds on June 19, 2003 and amounts restricted from funds received for student loans from the Perkins Federal Loan Program. As required by the federal regulations, a separate cash account is maintained for the Perkins Loan Program.

	<u>2010</u>	<u>2009</u>
Bond fund series A 2003 interest	\$ 158,297	\$ 163,047
Bond fund series A 2003 debt reserve fund	524,962	524,965
Federal Perkins loan program fund	463,869	518,641
Federal Perkins loan program - Commonfund	<u>-</u>	<u>63,785</u>
	<u>\$ 1,147,128</u>	<u>\$ 1,270,438</u>

The Bond fund accounts are uninsured and are invested in a government money market fund and/or state and local government securities.

6. **Investments Held in Trust by Others**

Investments held in trust by others represent the market value of the Law School's rights to split-interest agreements. All of the Law School's split-interest agreement assets are classified as temporarily restricted because they are charitable remainder unitrusts where the only restriction is time. The present value of the future payments is estimated to equal the current market value of these investments and they are recorded by the Law School at this value. The principal from these investments is recorded as unrestricted revenues when received as there are no restrictions on their use.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

7. Property, Plant and Equipment

Property, plant and equipment consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 466,986	\$ 455,240
Land improvements	379,708	379,708
Buildings	19,283,866	19,145,078
Library equipment	985,112	985,112
Furniture, fixtures and other equipment	2,268,862	2,527,366
Computer and communications infrastructure and software	1,970,996	1,958,066
Vehicle	11,000	27,114
Construction in progress	<u>1,061,334</u>	<u>114,840</u>
	26,427,864	25,592,524
Less accumulated depreciation	<u>8,822,567</u>	<u>8,274,174</u>
Property, plant and equipment, net	<u>\$ 17,605,297</u>	<u>\$ 17,318,350</u>

Depreciation expense charged to operations was \$903,438 and \$945,919 for the years ended June 30, 2010 and 2009, respectively.

Included in property, plant and equipment is capitalized interest in the amount of \$504,285 at June 30, 2010 and 2009, respectively.

8. Capital Leases

During 2009, the Law School had capital lease arrangements outstanding for certain equipment under capital leases. There were no capital lease arrangements outstanding as of June 30, 2010.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

9. Bonds Payable

Bonds payable consists of the following at June 30:

	<u>2010</u>	<u>2009</u>
<p>Revenue bonds issued in 2003 Series A by the Vermont Educational and Health Buildings Financing Agency. The serial bonds are payable in annual principal installments ranging from \$175,000 to \$420,000 from 2009 through 2033. The payments are made January 1st of the year due. Interest payments are made monthly to Chittenden Investment Services at fixed interest rates ranging from 5.0% to 5.5%. The bonds payable are collateralized by certain property, plant and equipment.</p>	\$ 5,865,000	\$ 6,055,000
<p>Variable rate demand revenue bonds issued in 2003 Series B by the Vermont Educational and Health Buildings Financing Agency. The bonds are payable annually on January 1st with principal installments ranging from \$45,000 to \$255,000 from 2009 through 2033. Interest, at a variable rate based on the tax exempt municipal index provided by the Bond Marketing Association, is payable in monthly installments. The interest rate at June 30, 2010 was 0.30%. The bonds are collateralized by an irrevocable direct pay Letter of Credit. The Law School has an option to convert the bonds to bear interest at a fixed rate.</p>	3,575,000	3,635,000
<p>Variable rate taxable private placement bond issued in 2010 Series A by TD Bank N.A. on behalf of the Law School. Principal payments are payable monthly commencing August 1st, 2012, based on a 20 year amortization schedule. The entire principal balance is due on the maturity date, June 30, 2014. Interest only, at a variable rate based on USD-LIBOR-BBA plus 2.75% (effective interest rate of 3.5% at June 30, 2010) is payable in monthly installments for the first twenty-four months. The bond is collateralized by specific land and buildings.</p>	<u>850,000</u>	<u>-</u>
	10,290,000	9,690,000
Less unamortized discount	<u>188,361</u>	<u>196,550</u>
Bonds payable, net of unamortized discount	<u>\$ 10,101,639</u>	<u>\$ 9,493,450</u>

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Maturities of long-term debt for the next five years are as follows:

Year Ending June 30,	
2011	\$ 265,000
2012	275,000
2013	342,500
2014	1,127,500
2015	340,000
Thereafter	<u>7,940,000</u>
	<u>\$ 10,290,000</u>

The Law School has obtained an irrevocable letter of credit and confirmation to satisfy the requirements of the 2003 Series B bonds resolutions. The letter of credit in the amount of \$3,998,291 has a termination date of June 7, 2012. As of June 30, 2010 and 2009, there is no balance due on the letter of credit. The Law School is required to pay an annual commitment fee of 0.9% of the unused portion of the letter of credit. This fee totaled \$49,850 and \$39,849 for the years ended June 30, 2010 and 2009, respectively.

The bonds, letter of credit and line of credit contain certain operating and financial covenants. The Law School was in compliance with these covenants as of June 30, 2010 and 2009.

Interest expense on the bonds charged to operations is \$331,058 and \$381,509 in 2010 and 2009, respectively.

10. Line of Credit

The Law School obtained a revolving line of credit allowing it to borrow up to \$3,000,000 for the purpose of working capital which matured on December 31, 2009. Borrowings under the agreement bear interest at a per annum rate equal to either the published Wall Street Journal rate plus 0.5% or the 1 month LIBOR rate plus 2.5%. There were no borrowings outstanding on the line of credit as of June 30, 2010 and 2009.

11. Refundable Advances - U.S. Government Grants

Refundable Advances - U.S. Government Grants represents Federal Perkins Loan Funds (Perkins) due back to the U.S. Government. These balances are the Federal capital contributions received by the Law School to run the Perkins program. The liability at June 30, 2010 and 2009 was \$2,327,366. GAAP for colleges require recognition of this amount as a liability. However, should the Law School ever discontinue the Perkins program, Federal regulations require certain calculations that could require a much larger amount to be returned to the U.S. Department of Education.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

12. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Purpose restrictions:		
Instruction	\$ 327,136	\$ 350,515
Student aid	398,130	289,093
Building	323,386	463,223
Other purpose restrictions	130,004	122,639
Time restrictions:		
Unspent appreciation on endowment for which the income is unrestricted	836,597	871,877
Contributions and grant receivables, net	541,127	580,878
Contributions - remainder unitrusts	<u>130,000</u>	<u>120,000</u>
	<u>\$ 2,686,380</u>	<u>\$ 2,798,225</u>

13. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following as of June 30:

	<u>2010</u>	<u>2009</u>
Endowment funds and loan funds for which the income is restricted:		
Student emergency loan program	\$ 54,676	\$ 54,676
Instruction	411,432	403,433
Student aid	1,740,393	1,530,397
Loan repayment assistance program	1,277,535	1,210,853
Other endowment funds	222,506	222,506
Contributions receivable - other	<u>321,574</u>	<u>107,368</u>
	4,028,116	3,529,233
Endowment funds for which the income is unrestricted	<u>863,716</u>	<u>863,403</u>
	<u>\$ 4,891,832</u>	<u>\$ 4,392,636</u>

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

14. Net Assets Released From Restrictions

Net assets released from restrictions due to donor-imposed stipulations being met consisted of the following for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Purpose restrictions - operations:		
Instruction	\$ 515,653	\$ 704,268
Student aid	69,821	466,631
Other	50,082	231,608
Time restrictions		
Contributions receivable, net	<u>37,446</u>	<u>45,822</u>
Net operating assets released from restrictions	673,002	1,846,653
Non-operating:		
Investment in plant	<u>542,947</u>	<u>155,585</u>
Total net assets released from restrictions	<u>\$ 1,215,949</u>	<u>\$ 2,002,238</u>

15. Cash Flow Information

For the years ended June 30, 2010 and 2009, the Law School paid interest of \$335,919 and \$393,171, respectively.

The Law School had the following noncash activity for the years ended June 30:

	<u>2010</u>	<u>2009</u>
Acquisition of property, plant and equipment	\$ 1,196,491	\$ 835,355
Less: Accounts payable and accrued expenses as of year-end	(67,116)	(10,756)
Add: Payments on short-term trade accounts used to finance acquisition of property, plant and equipment	<u>10,756</u>	<u>49,047</u>
Payments for the acquisition of property, plant and equipment	<u>\$ 1,140,131</u>	<u>\$ 873,646</u>

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

16. Endowment Fund

The Law School's endowment consists of approximately 70 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Law School has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Law School classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Law School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Law School considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Law School to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$280,836 and \$366,158 as of June 30, 2010 and June 30, 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Trustees.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Return Objectives and Risk Parameters

The Law School has adopted investment and spending policies for endowment assets that attempt to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support to endowment beneficiaries in accordance with the Law School's spending policy. Endowment assets include those assets of donor-restricted funds that the Law School must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide the long term annualized total rate of return equal to the Higher Education Price Index plus 5 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Law school has a policy of appropriating for distribution each year 5 percent of a trailing 3 year average of its endowment's total asset value through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Law School considered the long-term expected return on its endowment. Accordingly, over the long term, the Law School expects the current spending policy to allow its endowment to grow annually. This is consistent with the Law School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Net Asset Transfers Between Classifications

As a result of the State of Vermont adopting the Uniform Prudent Management of Institutional Funds Act on May 5, 2009, the Law School transferred the unappropriated investment earnings on endowment funds. This resulted in a reclassification of \$1,866,282 of unappropriated investment earnings from unrestricted to temporarily restricted net assets as of July 1, 2008, the beginning of the fiscal year of adoption.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

Endowment Composition and Changes in Endowment

The endowment funds were held as follows as of June 30:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 61,709	\$ 3,711,413
Investments	9,756,200	5,853,658
Contributions receivable, net	321,574	107,368
Due to operating fund	<u>-</u>	<u>(35,000)</u>
	<u>\$10,139,483</u>	<u>\$ 9,637,439</u>

The endowment net asset composition by type of fund as of June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (280,836)	\$ 1,087,981	\$ 4,837,156	\$ 5,644,301
Board-designated endowment funds	<u>4,495,182</u>	<u>-</u>	<u>-</u>	<u>4,495,182</u>
	<u>\$ 4,214,346</u>	<u>\$ 1,087,981</u>	<u>\$ 4,837,156</u>	<u>\$10,139,483</u>

The changes in endowment net assets for the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2009	\$ 4,167,790	\$ 1,131,689	\$ 4,337,960	\$ 9,637,439
Investment return:				
Investment income	63,171	81,164	-	144,335
Net appreciation in fair value	<u>97,645</u>	<u>125,887</u>	<u>-</u>	<u>223,532</u>
Total investment return	160,816	207,051	-	367,867
Contributions and grants	-	-	499,196	499,196
Net transfers to Board-designated from operating funds	1,600	-	-	1,600
Reclassification of deficiencies	85,322	(85,322)	-	-
Appropriation of endowment assets for expenditure	<u>(201,182)</u>	<u>(165,437)</u>	<u>-</u>	<u>(366,619)</u>
Endowment net assets, June 30, 2010	<u>\$ 4,214,346</u>	<u>\$ 1,087,981</u>	<u>\$ 4,837,156</u>	<u>\$10,139,483</u>

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

The endowment net asset composition by type of fund as of June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (366,158)	\$ 1,131,689	\$ 4,337,960	\$ 5,103,491
Board-designated endowment funds	<u>4,533,948</u>	<u>-</u>	<u>-</u>	<u>4,533,948</u>
	<u>\$ 4,167,790</u>	<u>\$ 1,131,689</u>	<u>\$ 4,337,960</u>	<u>\$ 9,637,439</u>

The changes in endowment net assets for the year ended June 30, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2008	\$ 7,956,272	\$ 569,381	\$ 4,231,895	\$12,757,548
Net asset transfers between classifications based on change in law	(1,866,282)	1,866,282	-	-
Investment loss:				
Investment income	80,208	87,088	-	167,296
Net depreciation in fair value	<u>(1,385,138)</u>	<u>(1,465,906)</u>	<u>-</u>	<u>(2,851,044)</u>
Total investment loss	(1,304,930)	(1,378,818)	-	(2,683,748)
Contributions	-	-	106,065	106,065
Net transfers to Board-designated from operating funds	5,708	-	-	5,708
Reclassification of deficiencies	(366,158)	366,158	-	-
Appropriation of endowment assets for expenditure	<u>(256,820)</u>	<u>(291,314)</u>	<u>-</u>	<u>(548,134)</u>
Endowment net assets, June 30, 2009	<u>\$ 4,167,790</u>	<u>\$ 1,131,689</u>	<u>\$ 4,337,960</u>	<u>\$ 9,637,439</u>

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

17. Fair Value Measurements and Disclosures

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Law School utilizes a fair value hierarchy, based on three levels of inputs to measure fair value, that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

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

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

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

Assets measured at fair value are summarized below:

<u>Fair Value Measurements at June 30, 2010, Using</u>				
	<u>June 30, 2010</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Valued on a recurring basis:				
Intermediate cash fund	\$ 27,335	\$ 27,335	\$ -	\$ -
Other fixed income	520,771	-	520,771	-
Domestic equities	4,763,704	4,763,704	-	-
Corporate bonds	474,678	-	474,678	-
U.S. Government bonds	2,453,807	-	2,453,807	-
Foreign equities	1,674,766	1,674,766	-	-
Life insurance	56,329	-	56,329	-
Real estate funds	<u>12,729</u>	<u>-</u>	<u>12,729</u>	<u>-</u>
Investments	<u>\$ 9,984,119</u>	<u>\$ 6,465,805</u>	<u>\$ 3,518,314</u>	<u>\$ -</u>
Investments held in trust by others	<u>\$ 130,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ -</u>
Valued on a non-recurring basis:				
Contributions receivable	<u>\$ 616,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 616,543</u>

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

	<u>Fair Value Measurements at June 30, 2009, Using</u>			
	<u>June 30, 2009</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Valued on a recurring basis:				
Intermediate cash fund	\$ 24,234	\$ 24,234	\$ -	\$ -
Other fixed income	1,103,460	-	1,103,460	-
Government securities fund	1,419,080	-	1,419,080	-
Mutual fund equities	83,313	83,313	-	-
Domestic equities	5,391,262	5,391,262	-	-
Life insurance	53,949	-	53,949	-
Real estate funds	<u>398,324</u>	<u>-</u>	<u>398,324</u>	<u>-</u>
Investments	<u>\$ 8,473,622</u>	<u>\$ 5,498,809</u>	<u>\$ 2,974,813</u>	<u>\$ -</u>
Investments held in trust by others	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ -</u>
Valued on a non-recurring basis:				
Contributions receivable	<u>\$ 376,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,374</u>

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Law School's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

VERMONT LAW SCHOOL, INC.

Notes to Financial Statements

June 30, 2010 and 2009

The fair value for level 2 investments is primarily based on estimates using market prices of comparable securities. The fair value for level 2 investments held in trust by others is primarily based on an estimate of the present value of underlying securities invested in by the trusts. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value for level 3 contributions receivable is based on the present value of expected cash flows.

18. Retirement Benefits

Substantially all employees of the Law School are eligible to participate in a defined contribution plan sponsored by Teachers Insurance and Annuity Association and College Retirement Equities Fund. Total contributions, at the rate of 8% of salaries of participating employees, amounted to \$755,025 and \$680,813 for the years ended June 30, 2010 and 2009, respectively.

19. Health Insurance

The Law School was on a self-insured plan in 2010 for medical and dental coverage. Effective July 1, 2010, the Law School has converted back to a fully insured plan. Members of the plan include Law School employees and students. Included in accrued expenses is a reserve for 2010 claims incurred before year end but not reported. The reserve is \$160,000 and \$150,000 at June 30, 2010 and 2009, respectively. The Law School carried insurance with an individual stop loss limit of \$160,000 for the contract period July 1, 2009 through June 30, 2010 and an aggregate stop loss percentage of 120%. The aggregate stop loss amount is the aggregate expected claims level multiplied by the aggregate stop loss percentage.

20. Disclosures of Fair Market Value of Financial Instruments

The College's financial instruments consist of cash and cash equivalents, student tuition receivables, other receivables, contributions receivable, investments held in trust by others, investments, notes and interest on notes receivable from students, accounts payable, accrued expenses, bonds payable, capital leases, and refundable advances - U.S. government grants. The estimated fair value of bonds payable, based on discounted cash flows at current market interest rates, was approximately \$11,400,000 and \$10,900,000 at June 30, 2010 and 2009, respectively. The fair values of all other financial instruments approximate their carrying values.

21. Related Party Transactions

The Law School received \$909,403 and \$496,518 in contributions from various Board members during 2010 and 2009, respectively.

APPENDIX C-1

DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF THE LOAN AGREEMENT AND THE TRUST AGREEMENT FOR THE BONDS

DEFINITIONS OF CERTAIN TERMS

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

“Balloon Indebtedness” means Indebtedness as to which twenty-five percent (25%) or more of principal payments (measured by reference to the original principal amount thereof) is due, whether at maturity or by operation of mandatory sinking fund redemption, in a single Fiscal Year, including Indebtedness which is required to be purchased by the Corporation at the option of the holder thereof.

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

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

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

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

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

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

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

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

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

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

“Guaranty” means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute Indebtedness under the Master Indenture.

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

“Indebtedness” means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties (other than any Guaranty by any Member of the Obligated Group of Indebtedness of any other Member of the Obligated Group). Indebtedness shall not include normal trade credit incurred on terms and conditions accepted in the industry of the supplier or the Member of the Obligated Group. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

“Interest Payment Date” means each January 1 and July 1.

“Interest Requirement” for any Bond Year means the amount that is required to pay interest on July 1 in such Bond Year and January 1 of the following Bond Year.

“Investment Obligations” means:

- (1) Defeasance Obligations;
- (2) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or any other like governmental or government-sponsored agencies which are hereafter created: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Some Loan Bank System; Export Import Bank of the United States; Farmers Home Administration; Small Business Administration Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; and Government National Mortgage Association;
- (3) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are rated in one of the two highest rating categories by each of S&P and Moody’s (without regard to any gradations within such categories), or, upon the discontinuance of either or both of such services, any other nationally recognized rating services;
- (4) negotiable or non-negotiable certificates of deposit, time deposits, or other similar banking arrangements, issued by any bank (including the Trustee), banking association or trust company or any savings and loan association, and either (i) the long-term obligations of such bank or trust company or savings and loan association are rated in one of the two highest rating categories by each of S&P and Moody’s (without regard to any gradations within such categories) or, upon the discontinuance of either or both of such services, any other nationally recognized rating services or (ii) the deposits are continuously secured as to principal, but only to the extent not insured by the Federal Deposit Insurance Corporation or similar corporation chartered by the United States of America, (a) by lodging with a bank or trust company, as collateral security, obligations described in paragraph (1) or (2) above or, with the approval of the Trustee, other marketable securities eligible as security for the deposit of trust funds under applicable regulations of the Comptroller or the Currency of the United States or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) of this paragraph is not permitted by applicable law, in such manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds;

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

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

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

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

(9) investment agreements with any bank or trust company which has long-term obligations rated in one of the two highest rating categories by each of S&P and Moody's (without regard to any gradations within such categories), or upon the discontinuance of either or both of such services, any other nationally recognized rating services.

"Loan Repayments" means the payments so described under the caption "Loan Repayments; Required Payments Under the Loan Agreement" in this Appendix C-1.

"Maximum Annual Debt Service" means, as of the date of calculation, the greatest Annual Debt Service for the current or any succeeding Fiscal Year.

"Long-Term Indebtedness" means any Indebtedness with an original term of greater than 364 days or Indebtedness with an original term of less than 364 days if the documents authorizing the incurrence of such Indebtedness allow the Corporation to extend the term of such Indebtedness beyond 364 days.

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

"Officer's Certificate" means a certificate signed by an Agency Representative or a Corporation Representative, as the case may be.

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

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

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

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

(d) Bonds deemed to have been paid in accordance with the Trust Agreement.

“Principal and Interest Requirements” for any Bond Year means the sum of the Principal Requirements and Interest Requirements for such Bond Year.

“Principal Requirements” for any Bond Year means the Sinking Fund Requirement for any Term Bonds due on January 1 of the following Bond Year and the principal of any Serial Bonds coming due on January 1 of the following Bond Year.

“Redemption Fund” means the Redemption Fund created under the Trust Agreement and described in the Summary of the Trust Agreement in this Appendix C-1.

“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.

“Required Payments Under the Loan Agreement” means the payments so described under the caption “Loan Repayments; Required Payments Under the Loan Agreement” in the Summary of the Loan Agreement in this Appendix C-1.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency appointed by the Corporation and approved by the Agency.

“SIFMA Swap Index” shall mean, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data, Inc., and published or made available by the Securities Industry and Financial Markets Association (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and effective from such date; provided, however, that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the “Municipal Index” shall mean such other reasonably comparable index selected by the Master Trustee (who may conclusively rely upon an opinion of a commercial or investment banking firm knowledgeable in municipal finance).

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

The Sinking Fund Requirement for the Bonds for each Bond Year shall be initially the respective principal amounts of such Bonds to be redeemed, or otherwise retired, on January 1 of the following Bond Year as provided in the Trust Agreement. The Sinking Fund Requirements for the Bonds are as set forth under the subheading “Mandatory Sinking Fund Redemption” under the heading, “DESCRIPTION OF THE BONDS” set forth herein.

“State” means the State of Vermont.

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

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

SUMMARY OF LOAN AGREEMENT

Loans Repayments; Required Payments Under the Loan Agreement

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

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

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

- (i) the fees and other costs incurred for services of the Master Trustee (and, if not paid when due, interest thereon at its base rate) and any rating agency rating the Bonds;
- (ii) the fees and other costs payable to the Trustee (and, if not paid when due, interest thereon at its base rate);
- (iii) all costs incurred in connection with the purchase or redemption of Bonds to the extent money is not otherwise available therefor;
- (iv) the fees and other costs incurred for services of such engineers, architects, attorneys, management consultants, insurance advisers, and accountants as are employed to make examinations, provide service, render opinions or prepare reports required under the Loan Agreement, the Master Indenture or the Trust Agreement;
- (v) reasonable fees and other costs that the Corporation is obligated to pay, not otherwise paid under the Loan Agreement or the Trust Agreement, incurred by the Agency in connection with its administration and enforcement of, and compliance with, the Loan Agreement or the Trust Agreement, including, but not limited to, the annual administrative fee imposed by the Agency in an annual amount not to exceed 1/10 of 1% of the original aggregate principal amount of the Bonds, which annual amount is payable July 1 of each calendar year commencing July 1, 2011, and reasonable attorneys' fees;
- (vi) all costs incurred by the Agency or the Trustee in connection with the discontinuation of or withdrawal from any book-entry system for the Bonds or any transfer from one book-entry system to another, including, without limitation, the printing and issuance of additional or substitute Bonds in connection with such withdrawal, discontinuance or transfer; and
- (vii) fees and other costs incurred in connection with the issuance of the Bonds to the extent such fees and other costs are not paid from the proceeds of the Bonds.

Absolute Obligation to Make Total Required Payments

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

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 within 120 days after the end of each of its fiscal years, beginning after its 2011 fiscal year, with the Municipal Securities Rulemaking Board (“MSRB”), 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 of the type generally found in Appendix A to the Official Statement for the Bonds; and

(B) to file, in a timely manner, not in excess of ten business days after the occurrence of the applicable event, to the MSRB, notice of any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of security holders, if material;
8. bond calls, if material;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Corporation;
13. the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. the appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

No beneficial owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of 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 benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the Disclosure Covenant at issue. Notwithstanding the foregoing, no challenge to the adequacy of the information provided in accordance with the filings mentioned in 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 issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of beneficial owners, as determined by parties unaffiliated with the Corporation or the Agency; or

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

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

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

Other Covenants of the Corporation

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

Amendments to Master Indenture

So long as any Bonds are Outstanding, the Master Indenture shall not be amended without the prior written consent of the Agency.

Defaults and Remedies

Events of Default are defined in the Loan Agreement to include: (a) failure of the Corporation to make any payment required under the Loan Agreement (including, but not limited to, Loan Repayments but excluding Required Payments under the Agreement as described in paragraph (c) under the caption "Loan Repayments; Required Payments under the Loan Agreement" above or under the Obligation related to the Loan Agreement when due, whether at maturity, redemption, acceleration or otherwise, (b) failure of the Corporation to perform, observe or

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

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

Prepayment of the Loan

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

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

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

Amendment of Loan Agreement

The Loan Agreement may be amended, without the consent of or notice to any of the Holders, to cure any ambiguity or formal defect or omission therein or in any supplement thereto; to correct or supplement any provisions therein which may be inconsistent with any other provisions therein or make any other provisions with respect to matters which do not materially and adversely affect the interest of the Holders; to grant to or confer upon the Bond

Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted or conferred upon the Holders or the Bond Trustee; or to add conditions, limitations and restrictions on the Corporation to be observed thereafter.

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

(i) extend the stated maturity of or time for paying interest on the Obligation related to the Loan Agreement or reduce the principal amount of or the redemption premium or rate of interest payable on such Obligation without the consent of the Holders of all Bonds then Outstanding;

(ii) except as expressly permitted at the time of execution of the Loan Agreement, grant to the registered owner of any Indebtedness (as defined in the Master Indenture) a Lien on the Mortgaged Property superior to that of the Holders without the consent of the Holders of all Bonds then Outstanding; or

(iii) reduce the aggregate principal amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such supplement or amendment without the consent of the Holders of all Bonds then Outstanding.

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

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

SUMMARY OF THE TRUST AGREEMENT

Various Funds and Accounts Created by the Trust Agreement

The Trust Agreement creates the following funds:

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

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

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

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

Deposits to the Bond Fund

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

(i) into the Interest Account, on June 20, 2011, and on the 20th day of each June and December thereafter, the entire amount of interest payable on the Bonds on the next ensuing Interest Payment Date;

(ii) into the Principal Account, on the 20th day of December in each year in which a Serial Bond matures on the next succeeding January 1, the entire amount of principal maturing on such January 1; and

(iii) into the Sinking Fund Account, on the 20th day of December in each year in which there is a Sinking Fund Requirement for Term Bonds on the next succeeding January 1, the entire amount required to retire the Term Bonds to be called by mandatory redemption or to be paid at maturity on the next ensuing January 1 in accordance with the Sinking Fund Requirement therefor; and

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

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

Interest Account

Not later than 10:00 A.M., Eastern time, on the Business Day next preceding each Interest Payment Date, or date for the payment of Defaulted Interest, or date upon which Bonds are to be redeemed, the Trustee shall withdraw from the Interest Account and wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amounts required for paying interest on the Bonds. Upon receipt thereof, the Bond Registrar shall remit by mail to each Owner of Bonds, or, if requested by any Holder of at least \$500,000 aggregate principal amount of Bonds, by wire transfer on the next day immediately following the applicable Interest Payment Date to any bank designated by such Holder, the amount required to pay interest on such Bonds when due and payable; provided, however, that if the Bonds are registered in the name of DTC or its nominee, then such remittance may be made by wire transfer on the Interest Payment Date.

In the event the balance in the Interest Account on the 20th day of the month next preceding an Interest Payment Date or date upon 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 Trustee shall notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Trustee an amount sufficient to cure the same.

Principal Account

Not later than 10:00 A.M., Eastern time, on each January 1 on which a Serial Bond is maturing, the Trustee shall withdraw from the Principal Account and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amount required to pay the principal amount due on any Serial Bonds maturing on such January 1. Upon receipt thereof, the Bond Registrar shall remit by mail to each Owner of Bonds, or, if requested by any Holder of at least \$500,000 aggregate principal amount of Bonds, by wire transfer on the next day immediately following the corresponding January 1 to any bank designated by such Holder, the amount required for pay the maturing principal of such Bonds; provided, however, that if the Bonds are registered in the name of DTC or its nominee, then such remittance may be made by wire transfer on the corresponding January 1.

In the event the balance in the Principal Account on the 20th day of December next preceding any January 1 on which a Serial Bond matures or is to be redeemed is insufficient for the payment of the principal of such Serial Bond at maturity or redemption, the Trustee shall notify the Corporation of the amount of the deficiency. Upon notification, the Corporation shall immediately deliver to the Trustee an amount sufficient to cure the same.

Sinking Fund Account

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

(a) The Trustee will endeavor to purchase and cancel Bonds or portions thereof then subject to redemption by operating of the Sinking Fund Account at the most advantageous price obtainable with reasonable diligence, such price not to exceed the Redemption Price thereof plus accrued interest. The Trustee will pay the interest accrued on such Bonds or portions thereof to the date of settlement therefor from the Interest Account, and the purchase price from the Sinking Fund Account but no such purchase will be made by the Trustee from money in the Sinking Fund Account within the period of forty-five (45) days immediately preceding the next January 1 on which such Bonds are subject to redemption. The aggregate purchase prices of the Bonds so purchased will not exceed the amount deposited in the Sinking Fund Account on account of the Sinking Fund Requirement for such Bonds; provided, however, that if in any Bond Year the amount held for the credit of the Sinking Fund Account plus the principal amount of all Bonds purchased during such Bond Year exceed the aggregate Sinking Fund Requirements for all Bonds then Outstanding for such Bond Year, the Trustee shall endeavor to purchase any Bonds then Outstanding with such excess money;

(b) The Trustee shall call for redemption on the January 1 immediately following such Bond Year Bonds or portions thereof then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Bonds for such Bond Year, less the principal amount of any such Bonds retired by purchase pursuant to clause (a). If such January 1 is the stated maturity date of any such Bonds, the Trustee shall not call such Bonds for redemption but, on such maturity date, shall withdraw from the Sinking Fund Account and remit to the Bond Registrar the amount required for paying the principal of such Bonds when due and payable. Not later than 10:00 A.M., Eastern time, on each such redemption date, the Trustee shall withdraw from the Interest Account and the Sinking Fund Account and wire transfer to the Bond Registrar the respective amounts required for paying the interest on and the Redemption Price of the Bonds or portions thereof so called for redemption.

In the event the balance in the Sinking Fund Account is insufficient for the payment of the Redemption Price on the Bonds on the next ensuing payment date, the Trustee shall cause the Corporation to transfer to such account such amount as may be necessary to remedy the deficiency therein.

Redemption Fund

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

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

(b) Subject to the provisions of paragraph (c) below, the Trustee shall call for redemption on each Interest Payment Date such amount of Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held for the credit of the Redemption Fund as nearly as may be practicable; provided,

however, that not less than \$50,000 principal amount of Bonds shall be called for redemption at any one time. On the redemption date the Trustee shall withdraw from the Interest Account and from the Redemption Fund and wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the respective amounts required for paying the interest on and the Redemption Price of the Bonds or portions thereof so called for redemption; and

(c) Money in the Redemption Fund shall be applied by the Trustee each Fiscal Year to the purchase, or the redemption of Bonds then Outstanding in accordance with the latest Officer's Certificate filed by the Corporation with the Trustee designating the Bonds to be purchased or redeemed. The Trustee shall purchase or redeem Bonds in the inverse order of their maturities and within maturities as the Trustee may, in its discretion, determine. For purposes of this clause (c), Bonds shall be considered to mature on January 1 in amounts equal to the aggregate Sinking Fund Requirement therefor.

Money Held in Trust

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

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 will mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended.

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

Investment Obligations acquired with money and credited to any fund or account established under the Trust Agreement will be held by or under the control of the 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 the fund or account to which the same are credited. 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 such investment.

Valuation

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

The 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 the Agency Representative 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 under the Trust Agreement:

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

Remedies on Default

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

Upon the happening and continuance of any Event of Default under the Trust Agreement, then and in every such case the Trustee may proceed and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall proceed to protect and enforce its rights and the rights of the Holders under the laws of the State or under this 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 herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights.

No Holder may institute any suit, action or proceeding on any Bond for any remedy under the Trust Agreement unless such Holder previously has given to the 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 such Holder has made a written request of the Trustee to act and furnished indemnity as required in the Trust Agreement and afforded the Trustee a reasonable opportunity to act and the Trustee has refused or neglected to comply with such request; 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 otherwise provided in the Trust Agreement, no Holder will have any right in any manner whatsoever to affect, disturb or prejudice the security of the Trust Agreement or to enforce any right thereunder except in the manner provided in the Trust Agreement, and any individual rights given to such Holders by law are restricted by the Trust Agreement to the rights and remedies therein granted.

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

Notice to Bondholders

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

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

Payment of Trustee's and Bond Registrar's Fees

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

Modification of the Trust Agreement

The Agency and the 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 Trustee, who may rely upon a written opinion of counsel, shall not affect adversely or prejudice the interest of the Holders to cure any ambiguity or formal defect or omission, to modify, alter, amend, add to or rescind in any particular, any of the terms or provisions contained in the Trust Agreement, to grant to or confer upon the Trustee for the benefit of the Holders of Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee, to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the Trust Agreement or other conditions, limitations and restrictions thereafter to be observed, to add to the covenants and agreements of the Agency contained in the Trust Agreement, to surrender any right or power reserved to or conferred upon the Agency, to comply with any federal or state securities law, to provide for the issuance of Bonds in bearer form, or to provide for the issuance of Bonds under a book-entry system.

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

Defeasance

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

No Recourse Against Members, Officers or Employees of the Agency

No recourse under, or upon, any statement, obligation, covenant, or agreement contained in the Trust Agreement; or in any Bond secured thereby; or in the Loan Agreement; or in any document or certification whatsoever; or under any judgment obtained against the Agency or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee, as such, of the Agency, either directly or through the Agency, respectively, or otherwise, for the payment for or to, the Agency or any receiver of either of them, or for, or to, any

Holder or otherwise, of any sum that may be due and unpaid upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the Agency or any receiver of either thereof, or for, or to, any Holder or otherwise, of any sum that may remain due and unpaid upon the Bonds hereby secured or any of them, is expressly waived and released in the Trust Agreement as an express condition of, and in consideration for, the execution of the Trust Agreement and the issuance of the Bonds.

APPENDIX C-2
COPY OF THE MASTER TRUST INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

MASTER TRUST INDENTURE

by and between

VERMONT LAW SCHOOL, INC.

and

CHITTENDEN TRUST COMPANY,
as Master Trustee

Dated as of May 1, 2003

Section 4.11. Remedies Subject to Provisions of Law 25
 Section 4.12. Notice of Default 25

ARTICLE V
THE MASTER TRUSTEE

Section 5.01. Certain Duties and Responsibilities 25
 Section 5.02. Certain Rights of Master Trustee 26
 Section 5.03. Right to Deal in Obligations and Related Bonds 27
 Section 5.04. Removal and Resignation of the Master Trustee 27
 Section 5.05. Compensation and Reimbursement 28
 Section 5.06. Recitals and Representations 29
 Section 5.07. Separate or Co-Master Trustee 29
 Section 5.08. Merger of Master Trustee 31

ARTICLE VI
SUPPLEMENTS AND AMENDMENTS

Section 6.01. Supplements Not Requiring Consent of Holders 31
 Section 6.02. Supplements Requiring Consent of Holders 32
 Section 6.03. Execution and Effect of Supplements 33

ARTICLE VII
SATISFACTION AND DISCHARGE OF INDENTURE

Section 7.01. Satisfaction and Discharge of Indenture 34
 Section 7.02. Payment of Obligations after Discharge of Lien 34

ARTICLE VIII
CONCERNING THE HOLDERS

Section 8.01. Evidence of Acts of Holders 34
 Section 8.02. Obligations or Related Bonds Owned by Members of Obligated Group 35
 Section 8.03. Instruments Executed by Holders Bind Future Holders 36

ARTICLE IX
MISCELLANEOUS PROVISIONS

Section 9.01. Limitation of Rights 36
 Section 9.02. Severability 36
 Section 9.03. Holidays 36
 Section 9.04. Governing Law 37
 Section 9.05. Counterparts 37
 Section 9.06. Immunity of Individuals 37
 Section 9.07. Binding Effect 37
 Section 9.08. Notices 37

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

Section 1.01. Definitions 1
 Section 1.02. Interpretation 8

ARTICLE II
INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01. Amount of Indebtedness 9
 Section 2.02. Designation of Obligations 9
 Section 2.03. Execution and Authentication of Obligations 9
 Section 2.04. Supplement Creating Indebtedness 10
 Section 2.05. Conditions to Issuance of Obligations Hereunder 10

ARTICLE III
PARTICULAR COVENANTS OF THE OBLIGATED GROUP

Section 3.01. Security; Restrictions on Encumbering Mortgaged Property; Payment of Principal and Interest 11
 Section 3.02. Covenants as to Corporate Existence, Maintenance of Properties, Etc. 12
 Section 3.03. Insurance 13
 Section 3.04. Insurance and Condemnation Proceeds 14
 Section 3.05. Limitations on Creation of Liens 14
 Section 3.06. Transfers of Property, Plant and Equipment, Disposition of Cash and Investments 15
 Section 3.07. Consolidation, Merger, Sale or Conveyance 16
 Section 3.08. Filing of Financial Statements, Certificate of No Default, Other Information 17
 Section 3.09. Parties Becoming Members of the Obligated Group 18
 Section 3.10. Withdrawal from the Obligated Group 18

ARTICLE IV
DEFAULT AND REMEDIES

Section 4.01. Events of Default 19
 Section 4.02. Acceleration; Annulment of Acceleration 20
 Section 4.03. Additional Remedies and Enforcement of Remedies 21
 Section 4.04. Application of Gross Revenues and Other Moneys after Default 22
 Section 4.05. Remedies Not Exclusive 23
 Section 4.06. Remedies Vested in the Master Trustee 23
 Section 4.07. Holders' Control of Proceedings 23
 Section 4.08. Termination of Proceedings 24
 Section 4.09. Waiver of Event of Default 24
 Section 4.10. Appointment of Receiver 24

THIS MASTER TRUST INDENTURE, made and entered into as of the 1st day of May, 2003, by and between Vermont Law School, Inc., a private nonprofit corporation organized and existing under the laws of the State of Vermont (the "Corporation"), and Chittenden Trust Company, a Vermont chartered banking corporation duly organized under the laws of the State of Vermont, and being duly qualified to accept and administer the trusts created hereby (the "Master Trustee"),

WITNESSETH

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

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

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

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

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

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

"Accountant" means a firm of independent certified public accountants that is a member of the American Institute of Certified Public Accountants.

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

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

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

"Agency Loan Agreement" means, collectively, the Loan Agreements, each dated as of May 1, 2003, by and between the Agency and the Corporation.

"Audited Financial Statements" means the combined financial statements of the Corporation for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants. Audited Financial Statements shall also include, in an additional information section, unaudited combining financial statements for the same twelve-month period from which the accounts of any affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not an affiliate have been added; provided, however, that for purposes of adding the accounts of a Member of the Obligated Group which is not an affiliate, the balances of such accounts shall be extracted from audited financial statements of such Member of the Obligated Group and its affiliates, if any.

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

"Consultant" means a firm or firms which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional management consultant of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears.

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

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

"Corporation" means Vermont Law School, Inc., an eligible institution under Chapter 131, Sections 3851 to 3862, inclusive, of Title 16, Vermont Statutes Annotated, as amended, and

NY 1 3271204

2

a nonprofit corporation, organized and existing under the laws of the State, and its successors and assigns and any surviving, resulting or transferee corporation thereof.

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

"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 by redemption and which are rated, based on an irrevocable escrow account or fund, in the highest rating category by S&P, if rated by S&P, and Moody's, if rated by Moody's, respectively, provision for the payment of the principal of, redemption premium, if any, and interest on which shall have been made by deposit in an 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. An obligation need not be rated by both S&P and Moody's to qualify as a Defeased Municipal Obligation but must be rated by either S&P or Moody's to so qualify.

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

"Event of Default" means any one or more of those events set forth in Section 4.01 hereof.

"Facilities" means the Project and any other educational facilities hereafter owned by any Member of the Obligated Group and operated by or on behalf of any Member of the Obligated Group.

"Financial Statements" means the unaudited combining financial statements of the Obligated Group included, in an additional information section, in the Audited Financial Statements of the Corporation and covering the same twelve-month period as the Audited Financial Statements, from which the accounts of any affiliate which is not a Member of the Obligated Group have been eliminated and to which the accounts of any Member of the Obligated Group which is not an affiliate have been added; provided, however, that for purposes of adding the accounts of a Member of the Obligated Group which is not an affiliate, the

NY 1 3271204

3

balances of such accounts shall be extracted from audited financial statements of such Member of the Obligated Group and its affiliates, if any.

"Fiscal Year" means the fiscal year of each Member of the Obligated Group, which shall be the period commencing on the first day of July of any year and ending on the last day of June of the next succeeding year unless the Master Trustee is notified in writing by the Corporation of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice, provided, however, that each Member of the Obligated Group shall have the same Fiscal Year.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency, with the approval of the Corporation, by notice to the Master Trustee.

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

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

"Gross Revenues" means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) tuition and other revenues derived from its operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent required or permitted by this Indenture to be applied in a manner inconsistent with their use as Gross Revenues, (ii) Accounts, (iii) securities and other investments, (iv) inventory and other tangible and intangible property and (v) accounts receivable, general intangibles, contract rights, chattel paper, instruments and other rights and assets now or hereafter owned, held or possessed by any Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property.

"Guaranty" means any obligation of any Member of the Obligated Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Obligated Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Obligated Group, constitute indebtedness hereunder.

"Holder" means an owner of any Obligation issued in other than bearer form.

"Indebtedness" means (i) all indebtedness of Members of the Obligated Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Obligated Group, and (iii) all Guaranties (other than any Guaranty by any Member of the Obligated Group of Indebtedness of any other Member of the

NY 1 3271204

4

Obligated Group). Indebtedness shall not include normal trade credit incurred on terms and conditions accepted in the industry of the supplier or the Member of the Obligated Group. Indebtedness shall not include obligations of any Member of the Obligated Group to another Member of the Obligated Group.

"Insurance Consultant" means a firm or Person selected by the Corporation (which may be an insurance broker or agent to the Corporation) which is not, and no member, stockholder, director, trustee, officer or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or an Affiliate, which is qualified to survey risks and to recommend insurance coverage for educational institutions engaged in such operations.

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

"Master Indenture" or "Indenture" means this Master Trust Indenture, dated as of May 1, 2003, including any amendments or supplements hereto.

"Master Trustee" means Chittenden Trust Company, Burlington, Vermont, and its successors in the trusts created under this Indenture.

"Member of the Obligated Group" means, initially, the Corporation and, thereafter, any other Person which shall join the Obligated Group pursuant to Section 3.11 hereof and not including any Person which shall have withdrawn from the Obligated Group pursuant to Section 3.12 hereof.

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

"Mortgage" means the Mortgage Deed, dated as of May 1, 2003, executed by the Corporation as security for the repayment of the Obligations, including any amendments to said mortgage as permitted therein.

"Mortgaged Property" means the real property described in the Mortgage, together with all real property acquired as an addition to, in replacement of, or in substitution for, all or any part of the real property described in the Mortgage, less such real property as may be released from the Mortgage pursuant to the terms thereof.

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

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

NY 1 3271204

5

Each certificate of an Obligated Group Representative presented pursuant to this Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Indenture. Each certificate of an Obligated Group Representative shall state (i) whether the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Obligation" means the evidence of particular Indebtedness issued under this Indenture.

"Officer's Certificate" means a certificate signed by the chairman of the Governing Body, or the president or chief executive officer, or the chief financial officer, or the chairman of the finance committee of the Governing Body of such Member of the Obligated Group as the context requires.

Each Officer's Certificate presented pursuant to this Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

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

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

"Outstanding" when used with reference to Indebtedness means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that such Obligation is held by a bona fide purchaser, provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have consented in any demands, direction, request, notice, consent, waiver or other action under this Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common

NY 1 3171304

6

control with such Member shall be deemed not to be Outstanding, provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

"Permitted Liens" shall have the meaning given in Section 3.05 hereof.

"Person" includes 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.

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

"Project" means the Project as defined in the Agency Loan Agreement.

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

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

"Rating Agencies" means Fitch, Moody's and S&P.

"Related Bond Indenture" means any indenture, trust agreement, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued. For all purposes of this Indenture, those certain Trust Agreements, each dated as of May 1, 2003, by and between the Agency and Chittenden Trust Company, as bond trustee, shall each be deemed to be a Related Bond Indenture.

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

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

"Related Bond Trustee" means the trustee and its successors to the trusts created under any Related Bond Indenture.

NY 1 3171304

7

"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, with the approval of the Corporation, by notice to the Master Trustee and the Corporation.

"State" means the State of Vermont.

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

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

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

Section 1.02. Interpretation.

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

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

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

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

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

(f) Provisions calling for or referring to the delivery by each Member of the Obligated Group of financial statements for any given period shall be deemed satisfied if the

NY 1 3171304

8

combined or consolidated financial statements for such period, prepared in accordance with generally accepted accounting principles, of such entities are so delivered.

ARTICLE II

INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

Section 2.01. **Amount of Indebtedness.** Each Member of the Obligated Group may incur Indebtedness by issuing Obligations hereunder or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created hereunder are not limited, except as limited by the provisions hereof, including Section 3.06 hereof, or of any Supplement. Any Member of the Obligated Group, other than the Corporation, proposing to incur Indebtedness, shall obtain the written consent of the Corporation, which consent shall be evidenced by a resolution of the Corporation's Governing Body filed with the Master Trustee. Each Member of the Obligated Group is jointly and severally liable for each and every Obligation.

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

Section 2.03. **Execution and Authentication of Obligations.** Each Obligation shall be executed for and on behalf of the issuer thereof, by the chairman of its Governing Body, its president or its chief financial officer. The signature of such officer may be mechanically or photographically reproduced on the Obligation. If any officer whose signature appears on any Obligation ceases to be such officer before delivery thereof, such signature shall remain valid and sufficient for all purposes as if such officer had remained in office until such delivery. Each Obligation shall be manually authenticated by an authorized officer of the Master Trustee, without which authentication no Obligation shall be entitled to the benefits hereof.

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

MASTER TRUSTEE'S AUTHENTICATION CERTIFICATE

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

NY 1 3171304

9

CHITTENDEN TRUST COMPANY,
as Master Trustee

By: _____
Authorized Signatory

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

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

- (a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplement or in this Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate, a certified copy of which shall be delivered to the Master Trustee;
- (b) The issuer of such Obligations shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (1) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of this Indenture or the Supplement under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (2) the Master Indenture and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles; and
- (c) Each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group shall have delivered to the Master Trustee an Officer's Certificate stating that, to the best of the knowledge of the signer thereof, each of the Persons who is to be a Holder of such Obligation upon the original issuance thereof is not acquiring the interest represented by such Obligation directly or indirectly with the assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (i) any employee of any Member of the Obligated Group or the Master Trustee, in its individual capacity, is a participant or (ii) any Member of the Obligated Group or the Master Trustee, in its individual capacity, or any of their affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

NY 12713046

10

ARTICLE III

PARTICULAR COVENANTS OF THE OBLIGATED GROUP

Section 3.01. **Security Restrictions on Encumbering Mortgaged Property, Payment of Principal and Interest.**

(a) Each Obligation issued pursuant to this Indenture shall be a joint and several general obligation of each Member of the Obligated Group.

To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations hereunder, the Corporation has executed and delivered to the Master Trustee the Mortgage.

To further secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations hereunder, each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Pledged Assets. Prior to its receipt of a request from the Master Trustee pursuant to Section 3.01(c) hereof, any Member of the Obligated Group may transfer all or any part of its Pledged Assets, free of such security interest. In the event of such transfer of Pledged Assets, upon the request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the assets so transferred. Upon the request of any Member of the Obligated Group, the Master Trustee will provide to such Member of the Obligated Group a written certification as to whether there is currently outstanding a request from the Master Trustee pursuant to Section 3.01(c) hereof.

At least one business day prior to the delivery of the Obligation No. 1 hereunder, there shall be delivered to the Master Trustee a duly executed financing statement evidencing the security interest of the Master Trustee in the Pledged Assets in the form required by the Uniform Commercial Code with copies sufficient in number for filing in the office of the Secretary of State in Montpelier, Vermont.

Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to this Indenture as may be necessary or appropriate to include as security hereunder the Pledged Assets. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group. In particular, each Member of the Obligated Group covenants that it will, at least ninety (90) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statements as shall, in the Opinion of Counsel, be necessary to continue the security interest created hereunder pursuant to applicable law and shall provide to the Master Trustee written notice of such filing accompanied by an Opinion of Counsel that such continuation statements have been filed and recorded and are in full force and effect. If the

NY 12713046

11

Master Trustee shall not have received such notice at least sixty (60) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Pledged Assets shall remain perfected.

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

(c) Each Member of the Obligated Group covenants that, if an Event of Default shall have occurred and be continuing, it will, upon request of the Master Trustee, deliver or direct to be delivered to the Master Trustee all Gross Revenues until such Event of Default has been cured, such Gross Revenues to be applied in accordance with Section 4.04 hereof.

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

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

(b) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made, provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment (evidenced, in the case of such a cessation other than in the ordinary course of business by an opinion or certificate of a Consultant) it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

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

NY 12713046

12

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

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

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

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its educational facilities; provided, however, that it need not comply with this Section 3.02(g) with respect to the maintenance of accreditation of its educational facilities if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as this Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it will not take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bond becoming included in the gross income of the holder thereof for federal income tax purposes.

Section 3.03. **Insurance.** Each Member of the Obligated Group 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 by the Insurance Consultant, other than a self-insurance program insuring against any casualty loss to its Property) in such amounts as, in its judgment, are adequate to protect it and its Property and operations: (i) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned and hired automobiles (excluding collision and comprehensive coverage thereof), (ii) 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 interruption insurance covering such periods, (iii) professional liability insurance, (iv) workers' compensation insurance, and (v) boiler insurance.

The Corporation shall employ an Insurance Consultant to review the insurance requirements of the Members of the Obligated Group from time to time (but not less frequently than biennially). If the Insurance Consultant makes recommendations for the increase of its coverage, the Obligated Group shall increase or cause to be increased such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Corporation that such recommendations, in whole or in part, are in the best interests

NY 12713046

13

of the Obligated Group. If the Insurance Consultant makes recommendations for the decrease or elimination of any coverage, the Obligated Group may decrease or eliminate such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Corporation that such recommendations, in whole or in part, are in the best interests of the Obligated Group. Notwithstanding anything in this Section to the contrary, each Member of the Obligated Group shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain insurance coverage below that most recently recommended by the Insurance Consultant, if the Obligated Group furnishes to the Master Trustee a report of the Insurance Consultant to the effect that the insurance so provided affords the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or (ii) to adopt alternative risk management programs which the Insurance Consultant determines to be reasonable, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other educational institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Obligated Group. If any Member of the Obligated Group shall be self-insured for any coverage, the report of the Insurance Consultant mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually. If the Insurance Consultant determines that the anticipated funding of any self-insurance fund is not actuarially sound, the Obligated Group covenants that it will fund such self-insurance fund in the manner recommended by the Insurance Consultant.

Section 3.04. Insurance and Condemnation Proceeds. Proceeds received by any Member of the Obligated Group for casualty losses or condemnation awards may be used for such lawful corporate purposes as the recipient determines, including, but not limited to, the replacement or repair of the damaged or taken Property, Plant and Equipment and the application of such proceeds to the payment or repayment of any Indebtedness in accordance with the terms thereof, provided that the Obligated Group Representative shall immediately notify the Master Trustee of the receipt and use of such proceeds.

Section 3.05. Limitations on Creation of Liens.

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

(b) Permitted Liens shall consist of the following:

(i) The Lien created by the Mortgage;

NY 1 33713044

14

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

(iii) Any judgment lien against any Member of the Obligated Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens for taxes, assessments, levies, fees, water and sewer rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to the Mortgaged Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (D) to the extent that it affects title to the Mortgaged Property, this Indenture; and (E) landlord's liens;

(v) Any Lien which is existing on the date of authentication and delivery of Obligation No. 1 issued under this Indenture and which is disclosed in the Mortgage or in writing to the Master Trustee; provided, however, that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Obligated Group not subject to such Lien on such date or to secure indebtedness not outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder; and

(vi) Other liens, charges and encumbrances that, in the written Opinion of Counsel, a copy of which is filed with the Master Trustee, do not prevent or materially impair the use of the Mortgaged Property affected thereby for its intended purposes (such counsel may rely upon a certificate of an independent architect or independent engineer as to whether such liens, charges and encumbrances materially impair the use of the property affected thereby for its intended purposes).

Section 3.06. Transfer of Property, Plant and Equipment, Disposition of Cash and Investments.

(a) Each Member of the Obligated Group may Transfer in any Fiscal Year Property, Plant and Equipment without limitation, subject only to the restrictions of the Mortgage and any Supplement securing Obligations.

NY 1 33713044

15

(b) Each Member of the Obligated Group may Transfer cash and investments in any Fiscal Year without limitation.

Section 3.07. Consolidation, Merger, Sale or Conveyance.

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

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

(ii) No Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Indenture; and

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

(b) In case of any such consolidation or merger, or sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to Section 3.09 hereof, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Obligations had been issued hereunder without any such consolidation or merger, or sale or conveyance having occurred.

NY 1 33713044

16

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

(d) The Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation or merger, or sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

Section 3.08. Filing of Financial Statements, Certificate of No Default, Other Information. The Obligated Group covenants that it will:

(a) Within thirty (30) days after receipt of the audit report mentioned below but in no event later than one hundred twenty (120) days after the end of each Fiscal Year for which the Audited Financial Statements are reported upon by an Accountant, file with the Master Trustee and with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of each Fiscal Year accompanied by the opinion of such Accountant. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of unrestricted net assets, financial position, results of operations and changes in unrestricted net assets and financial position as of the end of such Fiscal Year.

(b) Within thirty (30) days after receipt of the audit report mentioned above but in no event later than one hundred twenty (120) days after the end of each Fiscal Year, file with the Master Trustee and with each Holder who may have so requested or in whose behalf the Master Trustee may have so requested, an Officer's Certificate and a report of an Accountant stating whether, to the best knowledge of the signers of such Officer's Certificate and report of such Accountant, any Member of the Obligated Group is not in compliance with any covenants contained in this Indenture and, if so, specifying each such failure to comply of which the signers of such Officer's Certificate and report of such Accountant may have knowledge and whether such failure to comply has been cured. If any default has not been cured, then the signers of such Officer's Certificate and report of such Accountant shall identify, to the best of their knowledge, what, if any, action will be taken to cure such noncompliance.

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

NY 1 33713044

17

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

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

Section 3.09. Parties Becoming Members of the Obligated Group. Persons which are not Members of the Obligated Group may, with the prior written consent of the Corporation, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an instrument containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Indenture and any Supplements and thereby become subject to compliance with all provisions of this Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, (ii) to adopt the same Fiscal Year as that of the Corporation, and (iii) unconditionally and irrevocably guaranteeing to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Indenture when due; and

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

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

Section 3.10 Withdrawal from the Obligated Group.

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Corporation (if such withdrawing Member is other than the Corporation) and unless, prior to the taking of such action, there is delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative demonstrating that (A) all Obligations issued by such Member of the Obligated Group are no longer Outstanding, or (B) an

NY1 071309d

18

there may be issued, or by which there may be secured or evidenced, any indebtedness, whether such indebtedness now exists or shall hereafter be created, shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such indebtedness shall have been accelerated;

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

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

Section 4.02 Acceleration: Annulment of Acceleration.

(a) Upon the occurrence and during the continuation of an Event of Default hereunder, the Master Trustee may and, upon the written request of (i) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Obligations Outstanding or (ii) any Person properly exercising the right given to such Person under any Supplement to require acceleration of all or a portion of the Obligations issued pursuant to such Supplement, shall, by notice to the Members of the Obligated Group, declare all Obligations Outstanding immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, anything in the Obligations or in any other Section of this Indenture to the contrary notwithstanding; provided, however, that if the terms of any Supplement give a Person the right to consent to acceleration of all or a portion of the Obligations issued pursuant to said Supplement, such Obligations issued pursuant to such Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Supplement. In the event Obligations are accelerated there shall be due and payable on each Obligations an amount equal to the total principal amount of all such Obligations, plus all interest accrued thereon to the date of acceleration and, to the extent permitted by applicable law, which accrues to the date of payment.

(b) If, at any time after the principal of the Obligations shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, (i) the Obligated Group has paid or caused to be

NY1 071309d

20

amount of cash or Defeasance Obligations sufficient to accomplish the requirement of clause (i)(A) hereof has been paid by such Member to the Master Trustee; provided, however, that if all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there shall be delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant to Section 3.09 hereof shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Indenture shall cease.

ARTICLE IV

DEFAULT AND REMEDIES

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

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

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Indenture for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least twenty-five percent (25%) in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure is such that it cannot be corrected within thirty (30) days after the receipt of such notice but can reasonably be expected to be fully remedied, it shall not constitute an Event of Default if corrective action is instituted within such 30-day period and diligently pursued until the Event of Default is corrected;

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

(d) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness with an Outstanding principal amount in excess of \$25,000 (other than Obligations issued and Outstanding hereunder), whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which

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

Section 4.03. Additional Remedies and Enforcement of Remedies.

(a) Upon the occurrence and continuation of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

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

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

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

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

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

(vi) Enforcement of any of its rights under the Mortgage, including the non-judicial exercise of any power of sale pursuant to State law; and

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

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Obligations then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall

NY1 071309d

21

be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

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

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

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

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

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

(c) If the principal of all Outstanding Obligations shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Obligations shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

NY1 2373294

22

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same, if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

Section 4.05. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Master Trustee or the Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or existing at law or in equity or by statute on or after the date hereof.

Section 4.06. Remedies Vested in the Master Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining as plaintiffs or defendants any Holders. Subject to the provisions of Section 4.04 hereof, any recovery or judgment shall be for the equal benefit of the Holders.

Section 4.07. Holders' Control of Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is not in conflict with any applicable law or the provisions hereof, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by the Holders.

NY1 2373294

23

Section 4.08. Termination of Proceedings. In case any proceeding taken by the Master Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or to the Holders, then the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Master Trustee and the Holders shall continue as if no such proceeding had been taken.

Section 4.09. Waiver of Event of Default

(a) No delay or omission of the Master Trustee or of any Holder to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Master Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Master Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Master Trustee, upon the written request of the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding, shall waive any Event of Default hereunder and its consequences, provided, however, that, except under the circumstances set forth in subsection (b) of Section 4.02 hereof, a default in the payment of the principal of, premium, if any, or interest on any Obligation, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Obligations (with respect to which such payment default exists) at the time Outstanding.

(d) In case of any waiver by the Master Trustee of an Event of Default hereunder, the Members of the Obligated Group, the Master Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

Section 4.10. Appointment of Receiver. Upon the occurrence of any Event of Default unless the same shall have been waived as herein provided, the Master Trustee shall be entitled as a matter of right if it shall so elect, to the extent permitted by law, (i) forthwith and without declaring the Obligations to be due and payable, (ii) after declaring the same to be due and payable, or (iii) upon the commencement of an action to enforce the specific performance hereof or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group with such powers as the court making such appointment shall confer. Each Member of the Obligated Group, respectively, hereby consents and agrees, and will if requested by the Master Trustee consent and agree at the time of application by the Master Trustee for appointment of a receiver of its Property, to the appointment of such receiver of its Property and that such receiver may be given the right, power and authority, to the extent the same may lawfully be given, to take possession of and operate and deal with such Property

NY1 2373294

24

and the revenues, profits and proceeds therefrom with like effect as the Member of the Obligated Group could do so, and to borrow money and issue evidences of indebtedness as such receiver.

Section 4.11. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited to the extent necessary so that they will not render this instrument or the provisions hereof invalid or unenforceable under the provisions of any applicable law.

Section 4.12. Notice of Default. The Master Trustee shall, within ten (10) days after it has knowledge of the occurrence of an Event of Default, mail to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.01 hereof, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

ARTICLE V

THE MASTER TRUSTEE

Section 5 01 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default.

(i) The Master Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Master Trustee; and

(ii) In the absence of bad faith on its part, the Master Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Master Trustee and conforming to the requirements of this Indenture, but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Master Trustee, the Master Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Master Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

NY1 2373294

25

(c) No provision of this Indenture shall be construed to relieve the Master Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) the Master Trustee shall not be liable for any error of judgment made in good faith by a chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer or employee of the Master Trustee customarily performing functions similar to those performed by any of the above designated officers or with respect to a particular matter, any other officer or employee to whom such matter is referred because of his knowledge of and familiarity with the particular subject, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts;

(iii) the Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred upon the Master Trustee, under this Indenture, except under the circumstances set forth in subsection (c) of Section 4.09 hereof requiring the consent of the Holders of all the Obligations at the time Outstanding; and

(iv) no provision of this Indenture shall require the Master Trustee to expend or risk its own funds or otherwise incur any financial or other liability, directly or indirectly, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Master Trustee shall be subject to the provisions of this Section.

Section 5.02. Certain Rights of Master Trustee. Except as otherwise provided in Section 5.01 hereof

(a) The Master Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction or statement of any Member of the Obligated Group mentioned herein shall be sufficiently evidenced by an Officer's Certificate and any action of the Governing Body may be sufficiently evidenced by a copy of a resolution certified by the secretary or an assistant secretary of the Member of the Obligated Group to have been duly

NY 1271294

26

adopted by the Governing Body and to be in full force and effect on the date of such certification and delivered to the Master Trustee.

(c) Whenever in the administration of this Indenture the Master Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate.

(d) The Master Trustee may consult with counsel or an independent auditor and the written advice of such counsel or independent auditor or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(e) The Master Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture whether on its own motion or at the request or direction of any of the Holders pursuant to this Indenture which shall be in the opinion of the Master Trustee likely to involve expense or liability not otherwise provided for herein, unless one or more Holders or such Holders making such request shall have offered and furnished to the Master Trustee reasonable security or indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction or otherwise in connection herewith.

(f) The Master Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Master Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Master Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of any Member of the Obligated Group, personally or by agent or attorney.

(g) The Master Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Master Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) The Master Trustee shall not be personally liable in the case of entry by it upon the Mortgaged Property for debts contracted or liability or damages incurred in the management or operation of such mortgaged Property.

Section 5.03. Right to Deal in Obligations and Related Bonds. The Master Trustee may in good faith buy, sell or hold and deal in any Obligations and Related Bonds with like effect as if it were not such Master Trustee and may commence or join in any action which a Holder or holder of a Related Bond is entitled to take with like effect as if the Master Trustee were not the Master Trustee.

Section 5.04. Removal and Resignation of the Master Trustee. The Master Trustee may resign on its motion or may be removed at any time by an instrument or instruments in writing signed by the Holders of not less than a majority of the principal amount of Obligations then

NY 1271294

27

Outstanding. No such resignation or removal shall become effective unless and until a successor Master Trustee (or temporary successor trustee as provided below) has been appointed and has assumed the trusts created hereby. Written notice of such resignation or removal shall be given to the Members of the Obligated Group and to each Holder at the address then reflected on the books of the Master Trustee and such resignation or removal shall take effect upon the appointment and qualification of a successor Master Trustee. A successor Master Trustee may be appointed by the Obligated Group Representative or by the Holders at the direction of the Holders of not less than a majority in aggregate principal amount of Obligations Outstanding. In the event a successor Master Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation is given, the Master Trustee, any Member of the Obligated Group or any Holder may apply to any court of competent jurisdiction for the appointment of a temporary successor Master Trustee to act until such time as a successor is appointed as above provided.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$10,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Master Trustee however appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to each Member of the Obligated Group an instrument in writing, accepting such appointment hereunder, and thereupon such successor Master Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Master Trustee all the rights, powers and trusts of such predecessor. The predecessor Master Trustee shall execute any and all documents necessary or appropriate to convey all interest it may have to the successor Master Trustee. The predecessor Master Trustee shall promptly deliver all material records relating to the trust or copies thereof and, on request, communicate all material information it may have obtained concerning the trust to the successor Master Trustee.

Each successor Master Trustee, not later than ten (10) days after its assumption of the duties hereunder, shall mail a notice of such assumption to each registered Holder.

Section 5.05. Compensation and Reimbursement. Each Member of the Obligated Group, respectively, agrees:

(a) To pay the Master Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust), and, if not paid when due, shall be subject to interest at the base rate of the Master Trustee.

(b) Except as otherwise expressly provided herein, to reimburse the Master Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Master Trustee, including fees on collection and enforcement, in accordance with any

NY 1271294

28

provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and its agents), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith. If such amounts are not paid when due, they shall be subject to interest at the base rate of the Master Trustee.

(c) To indemnify the Master Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the Members of the Obligated Group under this Section, the Master Trustee shall have a lien prior to any Obligations upon all property and funds held or collected by the Master Trustee as such, except funds held in trust for the payment of principal or interest or premiums on Obligations.

Section 5.06. Recitals and Representations. The recitals, statements and representations contained herein, or in any Obligation (excluding the Master Trustee's authentication on the Obligations) shall be taken and construed as made by and on the part of the Members of the Obligated Group, respectively, and not by the Master Trustee, and the Master Trustee neither assumes nor shall be under any responsibility for the correctness of the same.

The Master Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof, of the Obligations, or the validity or sufficiency of insurance to be provided. The Master Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Master Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Master Trustee shall have no duty of inquiry with respect to any default or Events of Default described herein without actual knowledge of or receipt by the Master Trustee of written notice of a default or an Event of Default from a Member of the Obligated Group or any Holder.

Section 5.07. Separate or Co-Master Trustee. At any time or times, for the purpose of meeting any legal requirements of any jurisdiction, the Master Trustee shall have power to appoint, and, upon the request of the Holders of at least 25% in aggregate principal amount of Obligations Outstanding, shall appoint, one or more Persons approved by the Master Trustee either to act as co-trustee or co-trustees, jointly with the Master Trustee, or to act as separate trustee or separate trustees, and to vest in such person or persons, in such capacity, such rights, powers, duties, trusts or obligations as the Master Trustee may consider necessary or desirable, subject to the remaining provisions of this Section.

Every co-trustee or separate trustee shall, to the extent permitted by law but to such extent only, be appointed subject to the following terms, namely:

(a) The Obligations shall be authenticated and delivered solely by the Master Trustee.

(b) All rights, powers, trusts, duties and obligations conferred or imposed upon the trustees shall be conferred or imposed upon and exercised or performed by the Master Trustee, or

NY 1271294

29

by the Master Trustee and such co-trustee or co-trustees or separate trustee or separate trustees jointly, as shall be provided in the instrument appointing such co-trustee or co-trustees or separate trustee or separate trustees, except to the extent that, under the law of any jurisdiction in which any particular act or acts are to be performed, the Master Trustee shall be incompetent or unqualified to perform such act or acts, in which event such act or acts shall be performed by such co-trustee or co-trustees or separate trustee or separate trustees.

(c) Any request in writing by the Master Trustee to any co-trustee or separate trustee to take or to refrain from taking any action hereunder shall be sufficient warrant for the taking, or the refraining from taking, of such action by such co-trustee or separate trustee.

(d) Any co-trustee or separate trustee may, to the extent permitted by law, delegate to the Master Trustee the exercise of any right, power, trust, duty or obligation, discretionary or otherwise.

(e) The Master Trustee at any time, by any instrument in writing, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section. Upon the request of the Master Trustee, the Members of the Obligated Group shall join with the Master Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal.

(f) No trustee or any paying agent hereunder shall be personally liable by reason of any act or omission of any other trustee or paying agent hereunder, nor will the act or omission of any trustee or paying agent hereunder be imputed to any other trustee or paying agent.

(g) Any demand, request, direction, appointment, removal, notice, consent, waiver or other action in writing delivered to the Master Trustee shall be deemed to have been delivered to each such co-trustee or separate trustee.

(h) Any moneys, papers, securities or other items of personal property received by any such co-trustee or separate trustee hereunder shall forthwith, so far as may be permitted by law, be turned over to the Master Trustee.

Upon the acceptance in writing of such appointment by any such co-trustee or separate trustee, it or he shall be vested with such rights, powers, duties or obligations, as shall be specified in the instrument of appointment jointly with the Master Trustee (except insofar as local law makes it necessary for any such co-trustee or separate trustee to act alone) subject to all the terms hereof. Every such acceptance shall be filed with the Master Trustee. To the extent permitted by law, any co-trustee or separate trustee may, at any time by an instrument in writing, constitute the Master Trustee its or his attorney-in-fact and agent, with full power and authority to perform all acts and things and to exercise all discretion on its or his behalf and in its or his name.

In case any co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all rights, powers, trusts, duties and obligations of said co-trustee or separate trustee shall, so far as permitted by law, vest in and be exercised by the Master Trustee unless and until a successor co-trustee or separate trustee shall be appointed in the manner herein provided, and such Opinion of Counsel shall further state such action has been taken with respect to the

NY 2718294

30

recording, filing, re-recording and re-filing or other instrument of further assurance as is necessary to maintain the Lien of the Mortgage granted thereunder for the period of twelve (12) full consecutive calendar months following the date of such Opinion of Counsel and reciting the details of such action, or stating that in the Opinion of Counsel no such action is necessary to maintain such Lien.

Section 5.08. Merger of Master Trustee. Any corporation or national banking association into which the Master Trustee may be converted or merge, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or national banking association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Master Trustee hereunder and vested with all of the rights, trusts, powers, discretions, immunities, privileges, duties and obligations of its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

ARTICLE VI

SUPPLEMENTS AND AMENDMENTS

Section 6.01. Supplements Not Requiring Consent of Holders. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer retroactively upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.02(a) hereof.

(d) To qualify this Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the incurrence of indebtedness as permitted hereunder.

(f) To obligate a successor to any Member of the Obligated Group as provided in Section 3.09 hereof.

(g) To comply with the provisions of any federal or state securities law.

NY 2718294

31

Section 6.02. Supplements Requiring Consent of Holders.

(a) Other than Supplements referred to in Section 6.01 hereof and subject to the terms and provisions and limitations contained in this Article and not otherwise, the Holders of not less than 51% in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or if it has no secretary, its comparable officer, and the proposed Supplement, the Master Trustee shall, at the expense of the Obligated Group, cause notice of the proposed execution of such Supplement to be mailed first class, postage prepaid, to all Holders. Such notice shall briefly set forth the nature of the proposed Supplement and shall state that copies thereof are on file at the principal corporate trust office of the Master Trustee for inspection by all Holders. The Master Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplement when approved and consented to as provided in this Section. If, within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group following the date of such notice, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection (a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

NY 2718294

32

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.01 hereof. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

Section 6.03. Execution and Effect of Supplements.

(a) In executing any Supplement permitted by this Article, the Master Trustee shall be entitled to receive and to rely upon an Opinion of Counsel stating that the execution of such Supplement is authorized or permitted hereby. The Master Trustee may but shall not be obligated to enter into any such Supplement which affects the Master Trustee's own rights, duties or immunities.

(b) Upon the execution and delivery of any Supplement in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplement shall form a part hereof for all purposes and every Holder of an Obligation theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Obligation authenticated and delivered after the execution and delivery of any Supplement in accordance with this Article may, and if required by the issuer of such Obligation or the Master Trustee shall, bear a notation in form approved by the Master Trustee as to any matter provided for in such Supplement. If the issuer of any series of Obligations then Outstanding or the Master Trustee shall so determine, new Obligations so modified as to conform in the opinion of the Master Trustee and the Governing Body of such issuer to any such Supplement may be prepared and executed by the issuer and authenticated and delivered by the Master Trustee in exchange for and upon surrender of Obligations then Outstanding.

NY 2718294

33

ARTICLE VII

SATISFACTION AND DISCHARGE OF INDEMTURE

Section 7.01. Satisfaction and Discharge of Indenture. If (i) an Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defaced Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group, and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Each Member of the Obligated Group, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Indenture or such Obligations

Section 7.02. Payment of Obligations after Discharge of Lien. Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided herein.

Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any, or interest of any Obligation remaining unclaimed for five years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Members of the Obligated Group, as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

ARTICLE VIII

CONCERNING THE HOLDERS

Section 8.01. Evidence of Acts of Holders.

(a) In the event that any request, direction or consent is requested or permitted hereunder of the Holders, the registered owners of Related Bonds then outstanding shall be deemed to be such Holders for the purpose of any such request, direction or consent in the proportion that the aggregate principal amount of Related Bonds then outstanding held by each

such owner of Related Bonds bears to the aggregate principal amount of all Related Bonds then outstanding.

(b) As to any request, direction, consent or other instrument provided hereby to be signed and executed by the Holders, such action may be in any number of concurrent writings, shall be of similar tenor, and may be signed or executed by such Holders in person or by agent appointed in writing.

(c) Proof of the execution of any such request, direction, consent or other instrument or of the writing appointing any such agent and of the ownership of Obligations, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Master Trustee and the Members of the Obligated Group, with regard to any action taken by them, or either of them, under such request, direction or consent or other instrument, namely:

(i) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by the affidavit of a witness of such execution; and

(ii) The ownership of Related Bonds may be proved by the registration books for such Related Bonds maintained pursuant to the Related Bond Indenture

(d) Nothing in this Section shall be construed as limiting the Master Trustee to the proof herein specified, it being intended that the Master Trustee may accept any other evidence of the matters herein stated which it may deem sufficient

(e) Any action taken or suffered by the Master Trustee pursuant to any provision hereof upon the request or with the assent of any person who at the time is the Holder of any Obligation, shall be conclusive and binding upon all future Holders of the same Obligation.

Section 8.02. Obligations or Related Bonds Owned by Members of Obligated Group. In determining whether the Holders of the requisite aggregate principal amount of Obligations have concurred in any demand, direction, request, notice, consent, waiver or other action under this Indenture, Obligations or Related Bonds that are owned by any Member of the Obligated Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be disregarded and deemed not to be Outstanding or outstanding under the Related Bond Indenture, as the case may be, for the purpose of any such determination, provided that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be so disregarded and deemed not to be outstanding. Obligations or Related Bonds so owned that have been pledged in good faith may be regarded as Outstanding or outstanding under the Related Bond Indenture, as the case may be, for purposes of this Section, if the pledgee shall establish to the satisfaction of the Master Trustee the pledgee's right to vote such Obligations or Related Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by or

under direct or indirect common control with any Member of the Obligated Group. In case of a dispute as to such right, any decision by the Master Trustee taken upon the advice of counsel shall be full protection to the Master Trustee.

Section 8.03. Instruments Executed by Holders Bind Future Holders. At any time prior to (but not after) the Master Trustee takes action in reliance upon evidence, as provided in Section 8.01 hereof, of the taking of any action by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action, any Holder of such an Obligation or Related Bond that is shown by such evidence to be included in Obligations the Holders of which have consented to such action may, by filing written notice with the Master Trustee and upon proof of holding as provided in Section 8.01 hereof, revoke such action so far as concerns such Obligation or Related Bond. Except upon such revocation any such action taken by the Holder of an Obligation or Related Bond in any direction, demand, request, waiver, consent, vote or other action of the Holder of such Obligation or Related Bond which by any provision hereof is required or permitted to be given shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Obligation or Related Bond, and of any Obligation or Related Bond issued in lieu thereof, whether or not any notation in regard thereto is made upon such Obligation or Related Bond. Any action taken by the Holders of the percentage in aggregate principal amount of Obligations specified herein in connection with such action shall be conclusively binding upon each Member of the Obligated Group, the Master Trustee and the Holders of all of such Obligations or Related Bonds.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.01. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Obligations issued hereunder is intended or shall be construed to give to any Person other than each Member of the Obligated Group, the Master Trustee, and the Holders hereunder any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties mentioned in this Section.

Section 9.02. Severability. If any one or more sections, clauses, sentences or parts hereof shall for any reason be questioned in any court of competent jurisdiction and shall be adjudged invalid or unenforceable, such judgment shall not affect, impair or invalidate the remaining provisions hereof, or the Obligations issued pursuant hereto, but shall be confined to the specific sections, clauses, sentences and parts so adjudged.

Section 9.03. Holidays. Except to the extent a Supplement or an Obligation provides otherwise

(a) Subject to subsection (b), when any action is provided herein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the jurisdiction where the Corporate Trust Office is located are authorized

by law to remain closed, the action may be done on the next ensuing day not a day on which banking institutions in such jurisdiction are authorized by law to remain closed with effect as though done on the day or within the time period named.

(b) When the date on which principal of or interest or premium on any Obligation is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 9.04. Governing Law. This Indenture and any Obligations issued hereunder are contracts made under the laws of the State of Vermont and shall be governed by and construed in accordance with such laws.

Section 9.05. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 9.06. Immunity of Individuals. No recourse shall be had for the payment of the principal of, premium, if any, or interest on any Obligations issued hereunder or for any claim based thereon or upon any obligation, covenant or agreement herein against any past, present or future director, trustee, officer, member, employee or agent of any Member of the Obligated Group, and all such liability of any such individual as such is hereby expressly waived and released as a condition of and in consideration for the execution hereof and the issuance of Obligations issued hereunder.

Section 9.07. Binding Effect. This instrument shall issue to the benefit of and shall be binding upon each Member of the Obligated Group, the Master Trustee and their respective successors and assigns subject to the limitations contained herein.

Section 9.08. Notices

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to any Member of the Obligated Group, addressed to the Corporation at its principal place of business, which on the date hereof is: 96 Chelsea Street, South Royalton, Vermont 05068; Attention: Associate Dean for Finance and Administration;

(ii) If to the Master Trustee, addressed to it at

Chittenden Trust Company
Two Burlington Square
Burlington, Vermont 05402
Attention: Corporate Trust Department; or

(ii) If to any registered Holder, addressed to such Holder at the address shown on the books of the Master Trustee kept pursuant hereto.

(b) Any Member of the Obligated Group, or the Master Trustee may from time to time by notice in writing to the other and to the registered Holders designate a different address or addresses for notice hereunder.

IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its name and on its behalf by its duly authorized officer and, to evidence its acceptance of the trusts hereby created, the Master Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, all as of the day and year first above written.

VERMONT LAW SCHOOL, INC.

By: 
Authorized Officer

CHITTENDEN TRUST COMPANY,
as Master Trustee

By: 
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]



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

BEIJING
BRUSSELS
CHICAGO
DALLAS
FRANKFURT
GENEVA
HONG KONG
LONDON
LOS ANGELES
FOUNDED 1886

NEW YORK
PALO ALTO
SAN FRANCISCO
SHANGHAI
SINGAPORE
SYDNEY
TOKYO
WASHINGTON, D.C.

APPENDIX D

PROPOSED FORM OF LEGAL OPINION

March __, 2011

Vermont Educational and Health
Buildings Financing Agency
Winooski, Vermont

Ladies and Gentlemen:

We have examined Title 16, Chapter 131, Sections 3851-3862, Vermont Statutes Annotated, as amended (the “Act”), and certified copies of the proceedings of the Board of Vermont Educational and Health Buildings Financing Agency (the “Board”), a body corporate and politic constituting a public instrumentality of the State of Vermont (the “Agency”), authorizing the issuance of revenue bonds of the Agency hereinafter described and other proofs submitted relative to the issuance of the following bonds (the “Bonds”):

\$10,750,000

**VERMONT EDUCATIONAL AND HEALTH BUILDINGS
FINANCING AGENCY REVENUE BONDS
(VERMONT LAW SCHOOL PROJECT) 2011 SERIES A**

**Dated, maturing and bearing interest
all as provided in the Trust Agreement referred to below.**

The Bonds are issued under and pursuant to the Act and a Trust Agreement, dated as of March 1, 2011 (the “Trust Agreement”), between the Agency and People’s United Bank, Burlington, Vermont, trustee (the “Trustee”), for the purpose of refunding certain outstanding bonds of the Agency issued for the benefit of Vermont Law School, Inc. (the “Law School”) and paying a portion of the interest coming due on the Bonds, the cost of certain capital expenditures of the Law School and certain expenses incident to the issuance of the Bonds. The Bonds bear interest from their date (payable semi-annually on the first day of January and of July in each year, commencing July 1, 2011) and are subject to redemption prior to their respective maturities in the manner and upon the terms and conditions set forth therein. The Bonds are issuable in fully registered form in denominations of \$5,000 and integral multiples thereof.

Vermont Educational and Health
Buildings Financing Agency
March __, 2011
Page 2

The Agency will lend the proceeds of the Bonds to the Law School under a Loan Agreement, dated as of March 1, 2011 (the "Loan Agreement"), between the Agency and the Law School. The Bonds are payable from payments to be made by the Law School on its Obligation No. 5, dated as of March 1, 2011 ("Obligation No. 5"), issued by the Law School under a Master Trust Indenture, dated as of May 1, 2003, as supplemented (the "Master Trust Indenture"), between the Law School and People's United Bank, successor master trustee (the "Master Trustee"), as such Master Trust Indenture is supplemented and amended by Supplemental Indenture for Obligation No. 5, dated as of March 1, 2011 (together with the Master Trust Indenture, the "Master Indenture"), between the Corporation and the Master Trustee. Obligation No. 5 is being delivered to the Agency as evidence of the Law School's obligation to repay the loan of the proceeds of the Bonds, and assigned by the Agency to the Trustee as security for the payment of the Bonds. Obligation No. 5 is a direct, general and unconditional obligation of the Law School (and any future members of the Obligated Group, as defined in the Master Indenture) secured as provided in the Master Indenture.

The Law School is obligated under Obligation No. 5 and the Loan Agreement to make payments sufficient to pay the principal of and the redemption premium, if any, and interest on the Bonds when due.

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

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

1. The Bonds have been duly authorized, executed and issued.
2. The Trust Agreement has been duly authorized and executed by the Agency and is a valid, binding and enforceable agreement in accordance with its terms.
3. The Bonds are valid and binding limited obligations of the Agency payable in accordance with their terms from payments to be made by the Law School pursuant to the Loan Agreement and Obligation No. 5, funds held by the Trustee under the Trust Agreement and money attributable to the proceeds of the Bonds and the income from the investment thereof.
4. The Loan Agreement has been duly authorized and executed by the Agency and the Law School and is a valid, binding and enforceable agreement in accordance with its terms.

Vermont Educational and Health
Buildings Financing Agency

March __, 2011

Page 3

5. The Bonds shall not be deemed to constitute a debt or liability of the State of Vermont, and neither the faith and credit nor the taxing power of the State of Vermont is pledged for the payment of the principal of or the interest on the Bonds.

6. Assuming compliance by the Law School and the Agency with their respective covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds is not includible in gross income for federal income tax purposes under existing statutes, regulations and court decisions. Interest on the Bonds will not be treated as a specific preference item in calculating the alternative minimum tax on individuals and corporations imposed by the Code, but 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 Law School to comply with their respective covenants to comply with the provisions of the Code regarding use, expenditure, and investment proceeds of the Bonds and, if required, the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactive to their date of issuance. The covenant of the Agency described above does not require the Agency to make any financial contribution for which it does not receive funds from the Law School. The opinion expressed in the first and second sentences of this paragraph may not be relied upon to the extent that the exclusion from gross income of the interest on the Bonds for federal income tax purposes is adversely affected as a result of the taking of any action in reliance upon the opinion of counsel other than this firm. In rendering the opinion set forth in the first and second sentences of this paragraph, we have relied upon the representations made by the Law School 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 Law School, that the Law School 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 Law School 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 person of the investment in, or receipt of any interest on, the Bonds.

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

The enforceability of the 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.



Vermont Educational and Health
Buildings Financing Agency

March __, 2011

Page 4

In rendering this opinion we have also relied, without independent investigation, upon the opinion of Dinse, Knapp & McAndrew, P.C., Burlington, Vermont, counsel to the Law School, with respect to the due organization and valid existence of the Law School and its power and authority with respect to the transactions contemplated by, and its due authorization, execution and delivery of, the Master Indenture, Obligation No. 5 and the Loan Agreement.

Respectfully submitted,

[To be signed, "Sidley Austin LLP"]

CONSENT OF INDEPENDENT ACCOUNTANTS
Official Statement

Vermont Law School, Inc
South Royalton, Vermont

RBC Capital Markets, LLC
Albany, New York

Berry, Dunn, McNeil & Parker, Certified Public Accountants, hereby consents to the inclusion in the Official Statement, dated March 11, 2011, related to \$10,750,000 Vermont Educational and Health Buildings Financing Agency Revenue Bonds (Vermont Law School Project) 2011 Series A, of our Independent Auditor's Report dated October 27, 2010 relating to our audit of the financial statements of Vermont Law School, Inc. as of June 30, 2010 and for the year then ended.

Very truly yours,

A handwritten signature in cursive script that reads "Berry, Dunn, McNeil & Parker".

Berry, Dunn, McNeil & Parker
Certified Public Accountants