

*In the opinion of the Law Offices of John E. Larouche, Augusta, Maine, Special Counsel, under existing statutes and court decisions, assuming continuing compliance with Federal tax law as described herein, the portions of the Basic Lease Payments (defined herein) designated and paid as interest under the Lease Agreement (defined herein) and received by the Certificate Holders (defined herein) are excludable from the gross income of the Certificate Holders for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Such interest will not be treated as a preference item in calculating alternative minimum taxable income under the Code with respect to individuals or corporations. See "TAX MATTERS" herein. In the opinion of Special Counsel, such interest is exempt from the State of Maine income tax imposed on individuals under existing statutes.*

**\$5,280,000**  
**CERTIFICATES OF PARTICIPATION**  
**Evidencing Proportionate Interests of the Owners Thereof in Basic Lease**  
**Payments to be Made by the**  
**MAINE TECHNICAL COLLEGE SYSTEM**  
**For the Rental of Certain Property and Equipment Pursuant to a Lease Agreement**  
**For York County Technical College**

Dated: January 1, 1997

Due: January 1, as shown below

The Certificates of Participation (the "Certificates") are being executed and delivered to finance construction of buildings and infrastructure, and the acquisition of equipment, at York County Technical College, Wells, Maine, for use by the Maine Technical College System (the "Lessee"). The Certificates represent proportionate interests in Basic Lease Payments to be paid by the Lessee pursuant to the Lease Agreement.

Interest due with respect to the Certificates is payable semiannually on January 1 and July 1 of each year through the date of maturity or redemption, whichever is earlier, commencing July 1, 1997. The Certificates will be delivered in registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (the "Securities Depository"). The Securities Depository will act as a securities depository for the Certificates and individual purchases will be made in book-entry form only in the denominations of \$5,000 or any integral multiples thereof. Purchasers will not receive registered certificates representing their interests in the Certificates.

The principal of and interest on the Certificates as received from the Lessee is payable by Fleet National Bank, Providence, Rhode Island, as trustee (the "Trustee"), to the Securities Depository or its nominee, as the registered owner of the Certificates. The Securities Depository in turn is required to remit such payments to the participants for the benefit of the beneficial owners of the Certificates. Transfers of ownership interest in the Certificates are to be accomplished by book entries made by the Securities Depository and its participants acting on behalf of the beneficial owners of the Certificates.

**The Certificates are subject to optional and extraordinary redemption as described herein. See "THE CERTIFICATES OF PARTICIPATION - Redemption" herein.**

Payment of the principal of and interest on the Certificates when due will be insured by a municipal bond insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Certificates (the "Certificate Insurance Policy").



MATURITY SCHEDULE

\$ 790,000	4.80%	Term Certificates Due January 1, 2002
\$ 1,000,000	5.30%	Term Certificates Due January 1, 2007
\$ 1,310,000	5.70%	Term Certificates Due January 1, 2012
\$ 2,180,000	5.80%	Term Certificates Due January 1, 2017

Plus Accrued Interest from January 1, 1997

The Lessee is required under the Lease Agreement to make Basic Lease Payments which are equal to the principal of and interest on the Certificates. Basic Lease Payments are payable in the first instance from nonstate funds such as tuition revenues received by York County Technical College, and secondarily from state appropriations made to the Maine Technical College System. If state appropriations become necessary to repay the Certificates, the Lessee's obligation to make Basic Lease Payments and any other obligation of the Lessee under the Lease Agreement, the Certificates, or the trust agreement with the Trustee (the "Trust Agreement") are subject to and dependent upon appropriations being made by the Legislature of the State of Maine for such purpose. See "SECURITY FOR THE CERTIFICATES - Nonappropriation" herein.

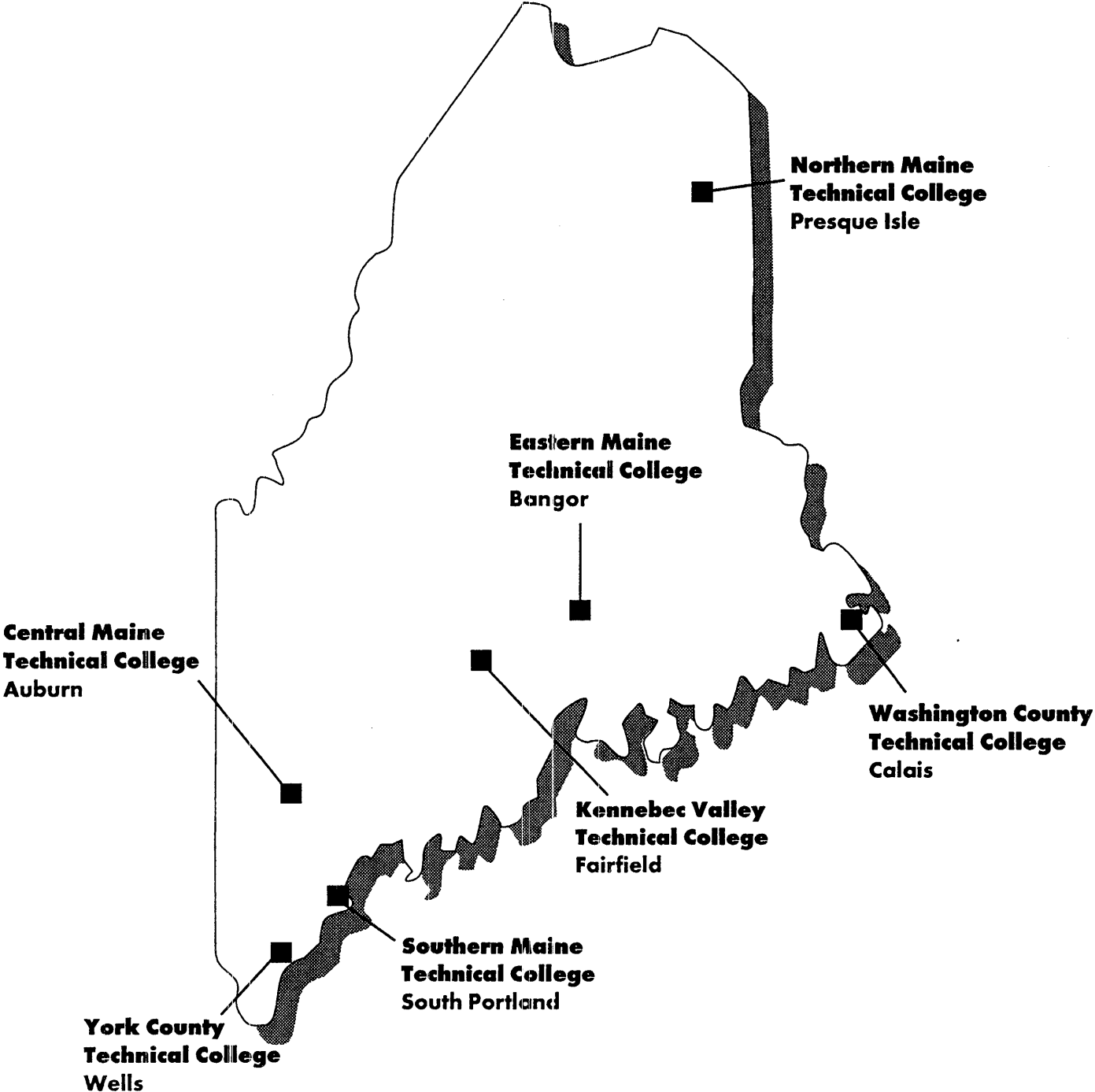
The Lessee's obligation to make Basic Lease Payments, the Certificates, and the Lessee's obligations under the Lease Agreement and the Trust Agreement do not constitute a debt or liability of the State of Maine within the meaning of any constitutional or statutory limitation, and the State has no continuing legal or moral obligation to appropriate money for Basic Lease Payments or any other obligation under the Lease Agreement, the Certificates, or the Trust Agreement. Payments of the principal of and interest on the Certificates will be made solely from amounts derived under the terms of the Lease Agreement, the Certificates, and the Trust Agreement, including the Basic Lease Payments and certain amounts from time to time on deposit under the terms of the Trust Agreement.

The Certificates are offered in book-entry form when, as, and if delivered and subject to the receipt of the approving legal opinion of the Law Offices of John E. Larouche, Augusta, Maine, Special Counsel. It is anticipated that the Certificates will be available for delivery in New York, New York, through the facilities of the Securities Depository, on or about February 5, 1997.

**ABN AMRO Chicago Corporation**

January 27, 1997

# MAINE'S TECHNICAL COLLEGES



**MAINE TECHNICAL COLLEGE SYSTEM**

**PUBLIC OFFICIALS**

John Fitzsimmons, President  
Lynn D. Olson, Director of Finance and Administration  
Darrel W. Staat, President (York County Technical College)

**Board of Trustees  
Maine Technical College System**

Elizabeth O. Shorr, Chair  
A. William Kany, Jr., Vice Chair  
J. Duke Albanese, Commissioner, Maine Department of Education  
William M. Cohen  
James W. Donovan  
Denison C. Gallaudet  
Edward F. Gorham  
Stephen R. Graebert  
Bridget D. Healy  
Roy P. Hibyan  
Valerie Landry, Commissioner, Maine Department of Labor  
Jana Lapoint  
Thomas McBrierty, Commissioner, Maine Department of Economic and  
Community Development  
Lana Waters  
John L. Weeks

**PROFESSIONAL SERVICES**

Underwriter.....	ABN AMRO Chicago Corporation Chicago, Illinois
Trustee.....	Fleet National Bank Providence, Rhode Island
Lessor.....	ABN AMRO Chicago Corporation Chicago, Illinois
Trustee Counsel.....	Sheehan, Phinney, Bass & Green Manchester, New Hampshire
Special Counsel.....	Law Offices of John E. Larouche Augusta, Maine
Issuer Counsel.....	Law Offices of John E. Larouche Augusta, Maine

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

This Official Statement does not constitute an offer to sell the Certificates in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. No dealer, salesman or other person has been authorized by the Lessee or the Underwriter to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Lessee, the Underwriter, or any other person. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE CERTIFICATES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT**  
**\$5,280,000**  
**CERTIFICATES OF PARTICIPATION**  
**DATED JANUARY 1, 1997**  
**Evidencing Proportionate Interests of the Owners**  
**Thereof in Basic Lease Payments to be made by the**  
**MAINE TECHNICAL COLLEGE SYSTEM**  
**as Lessee**  
**For the Rental of Certain Property and Equipment**  
**Pursuant to a Lease Agreement**

**INTRODUCTION**

This Official Statement, including the cover page and appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery of Certificates of Participation, dated January 1, 1997 (the "Certificates") in the aggregate principal amount of \$5,280,000. The Certificates represent the proportionate interests of the owners thereof (the "Certificate Holders" or the "Holders of the Certificates") in basic lease payments (the "Basic Lease Payments") to be made by the Maine Technical College System (the "Lessee"), as the rental price for a classroom and administration building, associated infrastructure, and equipment (the "Project") to be constructed at York County Technical College, Wells, Maine, for use by the Lessee pursuant to a Lease Agreement (the "Lease Agreement"), dated as of January 1, 1997 between the Lessee and ABN AMRO Chicago Corporation, Chicago, Illinois, as lessor (the "Lessor"). The Certificates are being executed and delivered, and are secured, pursuant to a Trust Agreement (the "Trust Agreement"), dated as of January 1, 1997 by and among Fleet National Bank, a banking association with its principal office located in Providence, Rhode Island, as trustee (the "Trustee"), the Lessor, and the Lessee. The proceeds received from the sale of the Certificates are to be used to finance the construction of the Project to be used by the Lessee. See "THE LESSEE AND THE PROJECT." Simultaneously with the execution and delivery of the Lease Agreement, the Lessor will, pursuant to the Trust Agreement, transfer, convey, and assign all of its estate, right, title, and interest in the Lease Agreement and in the Project to the Trustee for the benefit of the Holders of the Certificates. After the Lessor's transfer and assignment to the Trustee of the Lessor's interest in the Lease Agreement and in the Project, the Trustee will become the lessor of the Project for all purposes of the Lease Agreement, and the Lessor will have no continuing interest in, or responsibility with respect to, the Lease Agreement, the Project, or any Basic Lease Payment.

The Certificates are payable in the first instance from nonstate funds such as tuition revenues received by York County Technical College. The Certificates are payable secondarily from appropriations made to the Maine Technical College System by the Maine Legislature. If state appropriations become necessary to repay the Certificates, Lessee's obligation to make Basic Lease Payments and to perform other obligations under the Lease Agreement are subject to and dependent upon appropriations being made by the Maine Legislature for such purpose, and if, in such a circumstance, the Maine Legislature affirmatively provides by act, resolution, or other enactment that funds appropriated to the Lessee shall not be expended for the Basic Lease Payment next due, an event of nonappropriation will occur. If an event of nonappropriation occurs, the Lease Agreement will terminate and the Lessee is required to vacate the Project and, except under certain circumstances, not purchase, lease, or acquire any substitute Project, all in accordance with and subject to the provisions of the Lease Agreement and the Trust Agreement. See "SECURITY FOR THE CERTIFICATES -- Nonappropriation" herein.

For certain financial and other information with respect to the Lessee, see Appendix A to this Official Statement.

Certain capitalized terms used in this Official Statement and not defined herein shall have the meanings given to such terms under the heading "SUMMARY OF THE LEASE AGREEMENT AND THE TRUST AGREEMENT -- Definitions" herein.

Payment of the principal of and interest on the Certificates when due will be insured by a municipal bond insurance policy (the "Certificate Insurance Policy") to be issued by MBIA Insurance Corporation (the "Insurer") simultaneously with the delivery of the Certificates. See "APPENDIX D--Specimen of the Certificate Insurance Policy" herein. See also "THE MBIA INSURANCE CORPORATION INSURANCE POLICY" herein.

## **THE LESSEE AND THE PROJECT**

The Lessee, is a body corporate and politic and a public instrumentality of the State of Maine, and operates a system of seven public technical colleges and has been authorized by law to enter into lease-purchase financing agreements or arrangements for the Project.

### **The Lessee**

The Lessee has been established by the Maine State Legislature to administer a system of seven public two-year technical colleges located throughout the State of Maine. The powers and organization of the Lessee are enacted into State statute, and appear at 20-A



M.R.S.A. §§12701-12721. The Lessee is governed by a 16-member Board of Trustees, appointed by the Governor to serve four-year terms (exceptions identified below), or who serve ex-officio on the Board of Trustees because of their positions as the heads of specified Maine State government agencies. Members of the Board of Trustees are drawn from the following categories: twelve voting members from the field of business and industry, the field of labor, the field of education, and the general public; the Commissioner of the Maine Department of Education, who serves as a voting ex-officio member; the Commissioner of the Maine Department of Economic and Community Development who serves as an ex-officio non-voting member; the Commissioner of the Maine Department of Labor who serves as an ex-officio non-voting member; and a student at one of Lessee's technical colleges who serves a two-year term as a voting member. The current members of the Lessee's Board of Trustees are as follows:

Elizabeth O. Shorr, Chairperson  
Senior Vice President  
Maine Blue Cross Blue Shield

Bridget D. Healy  
Educator  
Freeport, Maine

A. William Kany, Jr., Vice Chair  
President (Retired)  
Saco-Biddeford Savings Institution

Roy P. Hibyan  
Financial Consultant  
Yarmouth, Maine

J. Duke Albanese  
Commissioner  
Maine Department of Education

Valerie Landry  
Commissioner  
Maine Department of Labor

William M. Cohen  
Vice President  
Bangor Hydro-Electric Co.

Jana Lapoint  
Chairman of Board  
UF Strainrite Corp.

James W. Donovan  
President  
Brighton Medical Center

Thomas McBrierty  
Commissioner, Maine Dept.  
of Economic & Community  
Development

Denison C. Gallaudet  
Financial Consultant  
Millbrook Advisors

Lana Waters  
Student  
Kennebec Valley Technical  
College

Edward F. Gorham  
Secretary/Treasurer  
Maine AFL-CIO

John L. Weeks  
President  
BMW Manufacturing, Inc.

Stephen R. Graebert  
Plant Manager  
G.E. Steam Turbines

(vacancy)

The Chief Executive Officer of the Lessee is the President of the Maine Technical College System (the "System President"), who is appointed by and serves at the pleasure of the Board of Trustees. The current System President is John Fitzsimmons. See "THE LESSEE AND THE PROJECT-- President of the Maine Technical College System" herein. The System President administers a System Office in Augusta, Maine, which coordinates the operation of all of the seven colleges which are part of Lessee's system, and which provides centralized accounting, purchasing, personnel, legal, and administrative services to each of Lessee's colleges. Each college which is part of Lessee's system is administered by a President (a "College President") who is assisted by various academic and non-academic deans, directors of finance, and other administrators.

The seven technical colleges administered by the Lessee are named and are located as follows: Central Maine Technical College, Auburn, Maine; Eastern Maine Technical College, Bangor, Maine; Kennebec Valley Technical College, Fairfield, Maine; Northern Maine Technical College, Presque Isle, Maine; Southern Maine Technical College, South Portland, Maine; Washington County Technical College, Calais, Maine; and York County Technical College, Wells, Maine. The College Presidents of the colleges administered by Lessee are as follows:

Richard H. Lee, Jr.  
Interim President  
Central Maine Technical College

Durward R. Huffman  
President  
Northern Maine Technical  
College

Joyce B. Hedlund  
President  
Eastern Maine Technical College

Wayne H. Ross  
President  
Southern Maine Technical  
College

Barbara W. Woodlee  
President  
Kennebec Valley Technical College

William J. Flahive  
Interim President  
Washington County Technical  
College

Darrel W. Staat  
President  
York County Technical College

Enrollment at Lessee's seven technical colleges has increased significantly over the last several years. From 1989 through the end of fiscal year 1996, total enrollment at Lessee's technical colleges increased 24%. Currently, Lessee's technical colleges serve a total of approximately 4,821 full-time and part-time degree-seeking students and approximately 2,489 non-degree seeking students. In addition, Lessee's seven technical colleges serve

approximately 11,000 additional students in numerous occupational skills courses and other programs within the colleges' largely nighttime continuing education divisions. In addition, during fiscal year 1996 Lessee provided customized occupational training to more than 140 Maine businesses and other organizations. Lessee also administers the "Maine Career Advantage" program which provides on-the-job occupational training currently to approximately 1,100 Maine high school students. Almost 200 Maine businesses and 100 Maine high schools and applied technology programs are currently participating in the Maine Career Advantage program administered by Lessee. In addition, Lessee's "Maine Quality Centers" program has assisted 30 Maine companies to expand during the program's first 18 months of operation, and these 30 companies, with Lessee's assistance, are expected by Lessee to bring approximately 1,844 new jobs to Maine and to generate approximately \$1.5 billion in private investment

Lessee's total annual educational and general revenues for fiscal year 1996 were \$58,489,595. Approximately 48.64% of this amount, or \$28,450,504 was derived from direct appropriations from the Maine Legislature. Approximately 19.58% of Lessee's revenues or \$11,450,507 was derived from student tuition and fees, and an additional approximate 17.04% of Lessee's revenues or \$9,971,878 was derived from the receipt of government grants. The remaining approximate 14.74% of Lessee's revenues was derived from private gifts and grants and miscellaneous sources and activities.

Over the past six fiscal years, State appropriations to the Lessee have been stable and have risen almost every year. State appropriations to Lessee in fiscal year 1997 are 28% above what such appropriations were in fiscal year 1992. A breakdown of Lessee's State appropriations for the past six fiscal years is as follows:

Fiscal Year 1992	=	\$23,111,053
Fiscal Year 1993	=	22,868,774
Fiscal Year 1994	=	24,172,497
Fiscal Year 1995	=	25,822,497
Fiscal Year 1996	=	28,450,504
Fiscal Year 1997	=	29,354,910

Similarly, enrollments at Lessee's colleges have been stable over the past several years. The number of total degree-seeking students enrolled each year at Lessee's colleges for the past six fiscal years is as follows:

Fiscal Year 1992	=	4,023	Students
Fiscal Year 1993	=	4,271	Students
Fiscal Year 1994	=	4,305	Students
Fiscal Year 1995	=	4,445	Students
Fiscal Year 1996	=	4,471	Students
Fiscal Year 1997	=	4,821	Students*

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\*Preliminary, subject to change

Lessee's colleges also serve a number of additional students on a non-degree credit-seeking basis, and on a non-degree non-credit seeking basis as part of the continuing education divisions at Lessee's colleges. For example, in the current academic year, Lessee has enrolled approximately 2,489 students on a non-degree credit-seeking basis, and during fiscal year 1996 Lessee registered 10,472 students in its continuing education divisions on a non-degree non-credit seeking basis. These numbers of non-degree credit-seeking and non-credit seeking students at Lessee's colleges also have remained stable over the past several years.

Since beginning administrative operations in fiscal year 1995, York County Technical College has received the following amounts of State appropriations, included in the total amounts described herein for Lessee:

Fiscal Year 1995 = \$1,200,000  
Fiscal Year 1996 = 1,259,464  
Fiscal Year 1997 = 1,878,536

Since beginning administrative operations in fiscal year 1995, York County Technical College separately received the following amounts of non-State revenues.

Fiscal Year 1995 = \$ 345  
Fiscal Year 1996 = 309,511  
Fiscal Year 1997 = 697,059\*

Since beginning teaching operations in fiscal year 1996, York County Technical College has enrolled the following numbers of students (average of all sessions).

Fiscal Year 1996 = 162  
Fiscal Year 1997 = 453\*

No assurances can be given that future State appropriations to the Lessee will be made at levels experienced in prior years, that enrollments at the Lessee's various facilities will continue at approximately current levels, or that non-State revenues received by York County Technical College will remain at approximately current levels.

#### **President of the Maine Technical College System**

John Fitzsimmons is the President of the Maine Technical College System, a position that he has held since 1990. Mr. Fitzsimmons earned a Bachelor's Degree from the University of Rhode Island in 1974 and a Master's Degree from the University of Southern Maine in 1976. Mr. Fitzsimmons is 47 years of age.

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\*Preliminary, subject to change

Prior to becoming President of the Maine Technical College System, Mr. Fitzsimmons was the Commissioner of the Maine Department of Labor, where he developed a comprehensive employment and job training strategy for the State of Maine that earned the State in 1989 the "State of the Year" award from the National Alliance of Business. Prior to becoming Maine's Commissioner of Labor, Mr. Fitzsimmons was the Executive Director of the Training Resource Center ("TRC") in Portland, Maine, a nonprofit corporation created to provide employment and job training services for residents of Cumberland County. Under his leadership, TRC received the Chamber of Greater Portland Region's Economic Development Award in 1985 and the National Alliance of Business Award for Distinguished Performance in 1983.

Mr. Fitzsimmons serves on numerous State and national boards including the New England Board of Higher Education, the National Governors Association Education Commission of the States, the Maine Development Foundation, the Maine Economic Growth Council, and the International Advisory Board of Governors for Maine Career Advantage. Mr. Fitzsimmons is also one of only two educators in the country to have served on the National Governors' Association School-to-Work Round table.

Mr. Fitzsimmons served in Vietnam in 1969 and 1970 as a Sergeant in the United States Marine Corps. He later served as Chair of the Vietnam Veterans Leadership Program responsible for the construction of Maine's Vietnam Veterans' Memorial on the grounds of the State Capitol. He is married and lives in Falmouth, Maine with his wife and two sons.

### The Project

On April 15, 1994, the State of Maine enacted legislation, P.L. 1993, c. 707, Part O, to establish York County Technical College (the "College"). As part of this legislation, the Maine Legislature appropriated monies for the establishment and operation of the College, and the Legislature expressed its intent that further appropriations be incorporated into the State's current services budget recommendations for fiscal years 1995-96 and 1996-97.

On July 3, 1995, the State of Maine enacted a Resolve, Res. 1995, c. 50, authorizing the Maine Technical College System to enter into financing arrangements to lease-purchase buildings and equipment to establish York County Technical College.

On September 5, 1995, York County Technical College began teaching its first classes of students in rented space at Wells, Maine, and the College has continued temporarily to operate in such rented space pending the construction of the Project.

On June 18, 1996, York County Technical College acquired an 84-acre Site for its campus and signed a contract with a builder to

construct a 51,000 square foot classroom and administration building on the Site, together with all related sitework, parking facilities, easements, and access roads for the College (the "Contract"). Prior to signing the Contract, Maine's Bureau of General Services, pursuant to its statutes, gave initial approval to the Contract, the initial building plans, and a life-cycle cost analysis for the work to be performed under the Contract.

On November 22, 1996, the College's contractor obtained the final permits (except for the building permit) necessary to begin construction under the Contract. On January 9, 1997, the Bureau of General Services of the Maine Department of Administrative and Financial Services informed the Lessee that Lessee could construct the Project in accordance with the final design, working drawings, and specifications for the work to be performed under the Contract.

Construction under the Contract is expected to begin in February, 1997, and all work under the Contract is expected to be completed by August, 1997. The Project consists of the 51,000 square foot classroom and administration building, equipment, infrastructure, parking facilities, access roads, lighting, and associated appurtenances erected or installed at the 84-acre campus site, and financed by the proceeds of the Certificates. Costs payable from the proceeds of the Certificates include those payable under the Contract and any costs and expenses incurred in connection with the acquisition and construction of the Project, the improvement of the Site, improvements necessary to comply with any permit, the sale, execution, and delivery of the Certificates, including costs of issuance, and costs and expenses in connection with equipping the Project.

The Project, when completed, will consist of a fully-functional 51,000 square foot building and associated equipment, access roads, parking facilities, and infrastructure, located on an 84-acre Site which permits further expansion for the College.

**The Bureau of General Services:**

The Bureau of General Services of the Maine Department of Administrative and Financial Services (the "Bureau") is authorized, among other things, to approve the selection of architects and engineers registered in Maine in the planning, design, and monitoring of construction of certain public improvements, including the Project, to approve all proposals, plans, specifications, and contracts for such public improvements, to inspect materials, equipment, methods used, and changes in plans for such public improvements, to inspect such public improvements during the course of construction, to require prompt inspection upon the completion of such public improvements, and to make recommendations promptly for the acceptance or rejection thereof to the agencies which commissioned such public improvements, including the Project. The Bureau has approved the selection of architects and engineers employed by the Lessee for

the Project and has approved the Contract for the Project. The Bureau expects to carry out its other responsibilities with respect to the Project as construction of the Project progresses.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of the Certificates, including accrued interest, which will be deposited in the Lease Payment Fund established for the Certificates, are expected to be applied approximately as follows:

**Series A Certificates**

Sources of Funds

Principal Amount of Certificates	\$ 5,280,000.00
Accrued Interest	<u>27,580.61</u>
Total Sources.....	\$ <u>5,307,580.61</u>

Uses of Funds

Deposit to Cost Payment Fund	\$ <u>4,670,328.63</u>
Deposit to Capitalized Interest Fund	<u>105,906.15</u>
Deposit to Reserve Fund	<u>450,965.22</u>
Accrued Interest	<u>27,580.61</u>
Underwriters' Discount	<u>52,800.00</u>
Total Uses.....	\$ <u>5,307,580.61</u>

**THE CERTIFICATES OF PARTICIPATION**

**General Provisions**

The Certificates are dated January 1, 1997, and will mature on the dates, in the amounts, and will bear interest at the rates shown on the cover page hereof. Each Certificate represents a proportionate interest in the Basic Lease Payments to be made by the Lessee on the Certificates. The portion of the Basic Lease Payments designated and paid as principal is due and payable annually, to and including the maturity date and at the rate set forth on each Certificate. The portion of Basic Lease Payments designated and paid as interest, which accrues commencing January 1, 1997, is due and payable semiannually on January 1 and July 1 of each year to and including the date of maturity or redemption of each Certificate, whichever is earlier, commencing on July 1, 1997. The principal and Redemption Price of the Certificates will be payable at the principal corporate trust office of the Trustee. Interest on the Certificates will be payable by check or draft of the Trustee to the registered owners of the Certificates at the address of each registered owner shown on the registration records

maintained by the Trustee as of the fifteenth day of the month next preceding the interest payment date. All amounts payable by the Trustee with respect to the Certificates will be paid only from the income of and proceeds from (a) Basic Lease Payments received by the Trustee from the Lessee with respect to the Certificates, (b) amounts from time to time deposited in the funds created under the Trust Agreement for the Certificates, including, without limitation, the proceeds received from the sale of the Certificates and investment earnings on amounts from time to time on deposit in such funds, except amounts deposited in the Rebate Fund with respect to the Certificates, (c) any proceeds received by the Trustee upon the damage, destruction or condemnation of the Project without repair or replacement, (d) any proceeds received by the Trustee from obtaining unconditional title to and disposing of the Site (as defined in the Trust Agreement) and the Project, and (e) any proceeds received by the Trustee from the Certificate Insurance Policy insuring payment of the Certificates, such income and proceeds being the trust estate pursuant to the Lease Agreement and the Trust Agreement (the "Trust Estate"), and only to the extent that the Trustee will have actually received sufficient income or proceeds from the Trust Estate to make such payments.

#### **Book-Entry Only System**

Beneficial ownership interests in the Certificates will be available in book-entry-only form, subject to certain conditions hereafter described, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of beneficial ownership interests in the Certificates will not receive certificates representing their interests in the Certificates purchased.

The following description of the procedures and record keeping practices with respect to beneficial ownership interests in the Certificates, payment of interest, and other payments on the Certificates to DTC Participants (as hereinafter defined) or Beneficial Owners (as hereinafter defined) of the Certificates, confirmation and transfer of beneficial ownership interests in the Certificates and other related transactions by and between The Depository Trust Company, New York, New York ("DTC"), the DTC Participants, and Beneficial owners of the Certificates is based solely on information furnished by DTC to the Lessee for inclusion in this Official Statement. ACCORDINGLY, THE LESSEE DOES NOT AND CANNOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS, AND NEITHER THE DTC PARTICIPANTS NOR THE BENEFICIAL OWNERS OF THE CERTIFICATES SHOULD RELY ON THE FOLLOWING INFORMATION WITH RESPECT TO SUCH MATTERS, BUT SHOULD INSTEAD CONFIRM THE SAME WITH DTC OR THE DTC PARTICIPANTS, AS THE CASE MAY BE. THERE CAN BE NO ASSURANCE THAT DTC WILL ABIDE BY ITS PROCEDURES OR THAT SUCH PROCEDURES WILL NOT BE CHANGED FROM TIME TO TIME. THE BENEFICIAL OWNERS OF THE CERTIFICATES WILL RELY ON THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS FOR TIMELY PAYMENTS AND NOTICES AND FOR OTHERWISE MAKING AVAILABLE TO THE BENEFICIAL OWNERS RIGHTS OF A REGISTERED HOLDER OF THE CERTIFICATES. NO ASSURANCES ARE BEING



PROVIDED THAT, IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC, A DTC PARTICIPANT, OR AN INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTERESTS IN THE CERTIFICATES, PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE CERTIFICATES WILL BE MADE BY DTC, THE DTC PARTICIPANT, OR THE INDIRECT PARTICIPANT.

DTC will act as securities depository for the Certificates (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

entry system for the Securities is discontinued.

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

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, OR TO THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SECURITIES, OR TO ANY BENEFICIAL OWNER IN RESPECT OF THE ACCURACY OF ANY RECORDS

MAINTAINED BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SECURITIES, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO PERSONS UNDER THE TRUST AGREEMENT, THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SECURITIES WITH RESPECT TO LESS THAN ALL OF THE SECURITIES OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE SECURITIES.

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

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered, as described in the Trust Agreement.

The information in this section "THE CERTIFICATES OF PARTICIPATION--Book-Entry Only System" concerning DTC and DTC's book-entry system has been obtained from sources such as the Depository Trust Company that the issuer believes to be reliable, but the issuer takes no responsibility for the accuracy thereof.

**Redemption**

The Certificates are subject to optional and extraordinary redemption prior to maturity as set forth below, but only from available funds which in the case of extraordinary redemption may be inadequate to redeem all Outstanding Certificates in full.

(A) Optional Redemption.

The Certificates shall not be subject to redemption prior to maturity at the option of the Lessee prior to January 1, 2007. The Certificates maturing on and after January 1, 2008 shall be subject to redemption prior to maturity, at the option of the Lessee, at any time on or after January 1, 2007, in whole or in part, from any moneys available for such purpose at the respective Redemption Prices (expressed as a percentage of the principal amount of the Certificates to be so redeemed) set forth below, plus accrued interest to the redemption date:

Redemption Period (Both Dates Inclusive)	Redemption Price
January 1, 2007 to December 31, 2007	102%
January 1, 2008 to December 31, 2008	101.5%
January 1, 2009 to December 31, 2009	101%
January 1, 2010 to December 31, 2010	100.5%

January 1, 2011 and thereafter

100%

(B) Redemption Upon an Event of Default or Event of Nonappropriation.

The Certificates are subject to extraordinary redemption prior to maturity at any time in whole without premium if the Lessee's obligations under the Lease Agreement are terminated by reason of the occurrence of an event of default or an event on nonappropriation and if the Holders of a majority in aggregate principal amount of Certificates Outstanding, in writing, direct the Trustee to give notice of redemption to the Certificate Holders, all as provided in the Trust Agreement.

(C) Redemption from Unused Proceeds of Insurance or Condemnation.

The Certificates are subject to extraordinary redemption in whole or in part without premium from any unused proceeds of insurance from damage to or destruction of the Premises or of condemnation or taking by eminent domain of the Premises, as provided in Section 2.7 of the Lease Agreement.

**Selection of Certificates to be Redeemed**

If less than all of the Certificates will be called for redemption, the particular Certificates or portions of Certificates to be redeemed will be selected and redeemed by the Trustee by lot in inverse order of maturity; provided, however, that the Lessee may, by providing written notice to the Trustee, specify that the Certificates be called for redemption by lot on a pro rata basis for certain specified maturities, if such redemption will be consistent with the Lessee's expected fund availability for purposes of meeting timely Basic Lease Payments. So long as a book-entry system is used for determining beneficial ownership of Certificates, if less than all Certificates within a maturity are to be redeemed, DTC and its Participants shall determine by lot which of the Certificates within such maturity are to be redeemed. The portion of any Certificate to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof, and, in selecting portions of such Certificates for redemption, the Trustee will treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount of such Certificate to be redeemed in part by \$5,000. Interest on Certificates so redeemed will be paid only from the amounts then available to redeem Certificates.

**Notice of Redemption**

When redemption of Certificates is required pursuant to the Trust Agreement, the Trustee will give notice of the redemption of such Certificates, which notice will specify: (a) that the Certificates or a designated portion thereof are to be redeemed,

(b) the date of redemption, (c) the place or places where the redemption will be made, and (d) the redemption price. Such notice will further state that on the specified date a specified amount of the principal (and premium, if any) shall become due and payable upon each Certificate called for redemption, together with interest accrued to said date, and that from and after such date interest with respect thereto will cease to accrue and be payable.

Notice of such redemption will be given by certified or registered mail to the respective Holders of the Certificates designated for redemption at their addresses appearing on the Certificate registration books or at such other addresses which are given in writing by the Certificate Holders to the Trustee, at least thirty (30) days but not more than sixty (60) days prior to the redemption date, which notice will, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal thereof which is to be redeemed; provided that no defect in any notice so mailed will affect the sufficiency of the proceedings for the redemption of such Certificates. The Trustee shall notify DTC in the same manner as the Certificate Holders, with a request that DTC notify its Participants and that they in turn notify the beneficial owners of such Certificates. Any failure on the part of the Securities Depository, or failure on the part of a nominee of a beneficial owner of a Certificate (having received notice from the Trustee, a Participant, or otherwise) to notify the beneficial owner of the Certificate so affected, shall not affect the validity of the redemption of such Certificate.

#### **SOURCE OF PAYMENT FOR THE CERTIFICATES**

Under the terms of the Trust Agreement, the Certificates are payable from (a) Basic Lease Payments received by the Trustee from the Lessee, (b) all amounts from time to time deposited in the funds created under the Trust Agreement, including, without limitation, the proceeds received from the sale of the Certificates and investment earnings on amounts from time to time on deposit in such accounts and subaccounts, except amounts on deposit in the Rebate Fund, (c) any proceeds received by the Trustee upon the damage, destruction or condemnation of the Project without repair or replacement, (d) any proceeds received by the Trustee from obtaining unconditional title to and disposing of the Site (as defined in the Trust Agreement) and the Project, and (e) any proceeds received by the Trustee from the Certificate Insurance Policy insuring payment of the Certificates, such proceeds and monies being the Trust Estate pursuant to the Lease Agreement and Trust Agreement, and only to the extent that the Trustee will have actually received sufficient income or proceeds from the Trust Estate to make such payments. The Lease Agreement for the Certificates establishes Lease Payments payable at times and in amounts equal to the principal of and interest on the Certificates, Trustee fees, and all other enumerated expenses. The Lease Agreement also provides that Lease Payments will be made

directly to the Trustee.

The Lease Agreement provides that the Lessee's obligation to make Lease Payments is absolute and unconditional, subject to and dependent upon receipt of non-State revenues by the College or appropriations being made by the State Legislature to the Lessee, and that each Lease Payment is payable without any right of set-off or counterclaim, regardless of any contingencies, and whether or not the Lessee possesses or uses the Project. See "SECURITY FOR THE CERTIFICATES--Nonappropriation." The Lessee's obligation to make Lease Payments will continue until all Lease Payments and all other amounts due under the Lease Agreement have been paid, unless sooner terminated in accordance with the provisions of the Lease Agreement. The appropriations available to make the payments on the Certificates due January 1, 1998, which is in fiscal year 1998 (July 1, 1997 to June 30, 1998), have not been made by the State Legislature.

The Lessee's obligation to make its Lease Payments, the Certificates, and the Lease Agreement do not constitute debts or liabilities of the State within the meaning of any constitutional or statutory limitation, and the State has no continuing legal or moral obligation to appropriate money for said payments or other obligations under the Lease Agreement. Payments of the principal of and interest on the Certificates are payable solely from amounts derived under the terms of the Lease Agreement, including the amounts from time to time on deposit and available therefor under the terms of the Trust Agreement executed and delivered with respect to the Certificates.

The Lease Agreement and the Trust Agreement require that Basic Lease Payments be deposited in the Lease Payment Fund established with respect to the Certificates and applied on a semiannual basis to make payments due on the Certificates, sufficient to meet the following amortization schedules.

**Basic Lease Payment Schedule**

<u>Lease Payment Date</u>	<u>Portion of Basic Lease Payments Paid As Principal (1)</u>	<u>Portion of Basic Lease Payments As Interest (1)</u>	<u>Basic Lease Payments</u>
7/1/97		\$146,015.00	\$146,015.00
1/1/98	\$145,000.00	146,015.00	291,015.00
7/1/98		142,535.00	142,535.00
1/1/99	150,000.00	142,535.00	292,535.00
7/1/99		138,935.00	138,935.00
1/1/00	155,000.00	138,935.00	293,935.00
7/1/00		135,215.00	135,215.00
1/1/01	165,000.00	135,215.00	300,215.00
7/1/01		131,255.00	131,255.00
1/1/02	175,000.00	131,255.00	306,255.00
7/1/02		127,055.00	127,055.00
1/1/03	180,000.00	127,055.00	307,055.00
7/1/03		122,285.00	122,285.00
1/1/04	190,000.00	122,285.00	312,285.00
7/1/04		117,250.00	117,250.00
1/1/05	195,000.00	117,250.00	312,250.00
7/1/05		112,082.50	112,082.50
1/1/06	210,000.00	112,082.50	322,082.50
7/1/06		106,517.50	106,517.50
1/1/07	225,000.00	106,517.50	331,517.50
7/1/07		100,555.00	100,555.00
1/1/08	235,000.00	100,555.00	335,555.00
7/1/08		93,857.50	93,857.50
1/1/09	250,000.00	93,857.50	343,857.50
7/1/09		86,732.50	86,732.50
1/1/10	260,000.00	86,732.50	346,732.50
7/1/10		79,322.50	79,322.50
1/1/11	275,000.00	79,322.50	354,322.50
7/1/11		71,485.00	71,485.00
1/1/12	290,000.00	71,485.00	361,485.00
7/1/12		63,220.00	63,220.00
1/1/13	310,000.00	63,220.00	373,220.00
7/1/13		54,230.00	54,230.00
1/1/14	325,000.00	54,230.00	379,230.00
7/1/14		44,805.00	44,805.00
1/1/15	345,000.00	44,805.00	389,805.00
7/1/15		34,800.00	34,800.00
1/1/16	365,000.00	34,800.00	399,800.00
7/1/16		24,215.00	24,215.00
1/1/17	835,000.00	24,215.00	859,215.00
<b>Total</b>	<b>\$5,280,000.00</b>	<b>\$3,864,735.00</b>	<b>\$9,144,735.00</b>

(1) Directly corresponds to the principal and interest on the Certificates.

## PRIOR INDEBTEDNESS

### (a) 1965 General Obligation Bonds of the State of Maine.

Pursuant to the Private and Special Laws of 1965, Chapter 162, the Treasurer of the State was authorized to issue \$3,960,000 in general obligations of the State to fund the construction of self-liquidating student housing and dining facilities for State Teachers Colleges and Vocational-Technical Institutes (the "1965 State General Obligation Bonds"). \$309,000 of the amount issued by the State Treasurer as part of the 1965 State General Obligation Bonds was used to construct a combination dormitory and cafeteria at Central Maine Vocational Institute, now one of Lessee's colleges. Because the 1965 State General Obligation Bonds were issued by the State to fund self-liquidating projects, Lessee makes semi-annual payments to the State to defray debt service on its portion of the 1965 State General Obligation Bonds. Such payments terminate on March 15, 1997.

### (b) 1967 General Obligation Bonds of the State of Maine.

Pursuant to the Private and Special Laws of 1967, Chapter 168, the Treasurer of the State was authorized to issue \$6,715,000 in general obligations of the State to fund the construction of self-liquidating student housing and dining facilities for State Colleges and Vocational Technical Institutes (the "1967 State General Obligation Bonds"). \$1,240,000 of the amount issued as part of the 1967 State General Obligation Bonds was used to construct a dormitory at Southern Maine Vocational Technical Institute and a dormitory and dining facility at Eastern Maine Vocational Technical Institute, both of which facilities are now part of Lessee's system of seven technical colleges. Because the 1967 State General Obligation Bonds were issued by the State to fund self-liquidating projects, Lessee makes semi-annual payments to the State to defray debt service on its portion of the 1967 State General Obligation Bonds. Such payments terminate on March 15, 1998.

### (c) 1977 General Obligation Bonds of the State of Maine.

Pursuant to the Private and Special Laws of 1977, Chapter 106, the Treasurer of the State was authorized to issue \$2,100,000 in general obligations of the State to fund the construction of a self-liquidating student dormitory at Northern Maine Vocational-Technical Institute (the "1977 State General Obligation Bonds"). Northern Maine Vocational-Technical Institute is now part of Lessee's system of seven technical colleges. Because the 1977 State General Obligation Bonds were issued to fund a self-liquidating project, Lessee makes semi-annual payments to the State to defray debt service on the 1977 State General Obligation Bonds. Such payments terminate on April 1, 2005.



### Lessee's Total Annual Debt Service

The following table sets forth estimated annual debt service requirements on the Certificates and on separate general obligation indebtedness of the State of Maine for the benefit of the Lessee and for which the Lessee is paying debt service to the State of Maine, through the fiscal year in which the Certificates have their final maturity:

Fiscal Year Ended June 30	Annual Principal of the <u>Certificates</u>	Annual Interest of the <u>Certificates</u>	Annual Debt Service of the <u>Certificates</u>	Annual Debt Service of Other <u>Indebtedness</u>	Total Annual Debt <u>Service</u>
1997				\$237,726	
1998	\$145,000	\$292,030	\$437,030	204,932	\$641,962
1999	150,000	285,070	435,070	131,800	566,870
2000	155,000	277,870	432,870	125,000	557,870
2001	165,000	270,430	435,430	118,200	553,630
2002	175,000	262,510	437,510	111,145	548,655
2003	180,000	254,110	434,110	104,090	538,200
2004	190,000	244,570	434,570	97,035	531,605
2005	195,000	234,500	429,500	64,980	494,480
2006	210,000	224,165	434,165		434,165
2007	225,000	213,035	438,035		438,035
2008	235,000	201,110	436,110		436,110
2009	250,000	187,715	437,715		437,715
2010	260,000	173,465	433,465		433,465
2011	275,000	158,645	433,645		433,645
2012	290,000	142,970	432,970		432,970
2013	310,000	126,440	436,440		436,440
2014	325,000	108,460	433,460		433,460
2015	345,000	89,610	434,610		434,610
2016	365,000	69,600	434,600		434,600
2017	835,000	48,430	833,430		833,430

### ISSUANCE OF ADDITIONAL INDEBTEDNESS.

The Lessee covenants and agrees that it will not, so long as any Certificates are Outstanding, without the prior written consent of the Insurer (defined herein), issue, incur, or otherwise establish any additional indebtedness, certificates of participation, or lease-purchase obligations of any nature whatsoever secured by State appropriations or other revenues of the Lessee ("additional indebtedness"), with the exception of: (1) short-term working capital loans not in excess of five percent (5%) of the total revenues and other additions shown on the Lessee's most recent audited financial statements; or (2) ordinary trade payables incurred and paid on a current basis consistent with the Lessee's past business practices.

## SECURITY FOR THE CERTIFICATES

### General

Each Certificate evidences a proportionate interest in the Basic Lease Payments to be paid by the Lessee to the Trustee under the Lease Agreement. See "THE CERTIFICATES OF PARTICIPATION -- General Provisions" herein.

The Certificates are payable in the first instance from non-State funds such as tuition revenues received by York County Technical College. The Certificates are payable secondarily from appropriations made to the Maine Technical College System by the Maine Legislature. If State appropriations become necessary to repay the Certificates, Lessee's obligation to make Basic Lease Payments and to perform other obligations under the Lease Agreement are subject to and dependent upon appropriations being made by the Maine Legislature for such purpose, and if, in such a circumstance, the Maine Legislature affirmatively provides by act, resolution, or other enactment that funds appropriated to the Lessee shall not be expended for the Basic Lease Payment next due, an event of nonappropriation will occur.

If an event of nonappropriation occurs, the Lease Agreement will terminate, the Lessee will be required to surrender possession of the Project to the Trustee, and the Lessee will not have any further obligation to make any Lease Payments, including Basic Lease Payments, or to fulfill any other obligations under the Lease Agreement, all in accordance with and subject to the terms of the Lease Agreement and the Trust Agreement. See "Nonappropriation" below.

The proceeds from the sale of the Certificates and all other moneys, including Basic Lease Payments made to the Trustee, and investments held by the Trustee under the Trust Agreement for the Certificates are irrevocably held in trust for the benefit of the Holders of the Certificates and for the purposes specified in the Trust Agreement, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Lessor, the Lessee, or any Holder of Certificates, or any of them.

Under the terms of the Lease Agreement, the Lessee is obligated to pay on each Lease Payment Date an amount equal to its Basic Lease Payment then due, less any credits as described in "Credits Against Basic Lease Payments" below. The Basic Lease Payments due on each Lease Payment Date equal the aggregate amount of principal of and interest on the Certificates due on such date. The Lease Term with respect to the Project will commence on the date of authentication and delivery of the Certificates and will end on the date the last Basic Lease Payment and all other amounts due under the Lease Agreement will have been paid, unless sooner terminated in accordance with the provisions of the Lease

Agreement.

### **Credits Against Lease Payments**

All interest income earned by reason of investment of moneys on deposit in the Lease Payment Fund established for the Certificates will be retained by the Trustee in the Lease Payment Fund and applied on the next occurring Lease Payment Date as a credit against the Lease Payment due on such date and will be deemed to be payment, in whole or in part as the case may be, of the interest portion thereof, subject to the requirements to deposit any such earnings into the Rebate Fund for the Certificates.

On receipt by the Trustee of a certificate from the Lessee indicating that construction of the Project has been completed, any moneys on deposit in the Cost Payment Fund which are not required to be applied to the redemption of Certificates, will be applied by the Trustee as a credit against the Basic Lease Payment required to be made by the Lessee on the next occurring Lease Payment Date, or for the redemption of Certificates if required in accordance with the Trust Agreement.

### **Legislative Appropriation**

The Lessee has agreed in the Lease Agreement to seek appropriations in the budget process from the Governor and the State Legislature for the purpose of providing funds to be available to make the Lease Payments.

### **Other Security for the Certificates**

In addition to Legislative appropriations available to secure the payment of the Certificates, the following have been made available by the Lessee to secure the payment of the Certificates, upon the occurrence of an event of default or an event of nonappropriation under the Lease Agreement. A Reserve Fund has been established under the Trust Agreement in the amount of \$450,962.50, an amount that is slightly greater than annual Basic Lease Payments in all but the final year of the Lease Term. A Capitalized Interest Fund has been established under the Trust Agreement in the amount of \$105,906.15, an amount which is expected to be sufficient to pay the first interest payment on the Certificates. Lessee has granted a Mortgage, Security Agreement, and Financing Statement to the Trustee for the Site and the Project which would be available to transfer unconditional title to the Site and the Project upon the occurrence of an event of default or event of nonappropriation under the Lease Agreement. In addition, the Certificates are payable in the first instance from non-State funds such as tuition revenues received by the College. Lessee also has obtained a policy of municipal bond insurance to secure payment of the Certificates. See "APPENDIX D--Specimen of Certificate Insurance Policy" herein. See also "THE MBIA INSURANCE CORPORATION INSURANCE POLICY" herein.

## **Nonappropriation**

In the event the Lessee's rights under the Lease Agreement are terminated due to nonappropriation, the Lessee is under no obligation to make any further payments under the Lease Agreement, the Trust Agreement, or the Certificates. For such an event of nonappropriation to occur, however, non-State funds, such as tuition revenues, received by the College must be insufficient to make Basic Lease Payments, and the Maine State Legislature must provide affirmatively by act, resolution, or other enactment that funds appropriated to the Lessee shall not be expended for the Basic Lease Payment next due. Under such circumstances the Lessee is obligated to surrender possession of the Premises to the Trustee. The Trustee may relet the Premises pursuant to the Base Lease Agreement and apply the net proceeds of reletting to the redemption or payment of the Certificates. Upon the occurrence of an event of nonappropriation or an event of default under the Lease Agreement, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then Outstanding shall: collect all amounts due to the Trustee from the Lessee and apply such amounts to the payment of the Certificates; apply all funds held by the Trustee, including, without limitation, those in the Reserve Fund and the Capitalized Interest Fund, excluding only those in the Rebate Fund to the payment of the Certificates; relet the Premises and apply the proceeds thereof to the payment of the Certificates; acquire unconditional title to the Premises pursuant to the Mortgage, dispose of the Premises, and apply the proceeds thereof to the payment of the Certificates; and collect the proceeds of the Certificate Insurance Policy insuring payment of the Certificates and apply such proceeds to the payment of the Certificates. See "THE CERTIFICATES OF PARTICIPATION--Redemption" herein. Upon the occurrence of an event of nonappropriation, the remedies of the Trustee shall be subject to the requirements of the Insurer, as described in the Lease Agreement and in the Trust Agreement.

If the Lessee's rights under the Lease Agreement are terminated for reason of nonappropriation, there is a risk that there will be insufficient moneys to pay fully the principal of and interest on Outstanding Certificates. The term of the Base Lease Agreement is twenty years after the date of authentication and delivery of the Certificates, unless sooner terminated pursuant to the terms of the Base Lease Agreement.

## **Nonsubstitution of Project**

In the event of nonappropriation, the Lessee has agreed, during the sixty (60) day period following the termination of its rights under the Lease Agreement, not to purchase, lease, or otherwise acquire any building or facility for the replacement of, or as a substitution for, the Project, except when needed for the protection of the public health, safety or welfare.

## THE MBIA INSURANCE CORPORATION INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix D for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Lessee to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Certificates as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Certificates pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Certificate. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Certificates upon tender by an owner thereof, or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the Certificates resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Certificates.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Certificate the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Certificates or presentment of such other

proof of ownership of the Certificates, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Certificates as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Certificates in any legal proceeding related to payment of insured amounts on the Certificates, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Certificates less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1995 the Insurer had admitted assets of \$3.8 billion (audited), total liabilities of \$2.5 billion (audited), and total capital and surplus of \$1.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1996, the Insurer had admitted assets of \$4.3 billion (unaudited), total liabilities of \$2.9 billion (unaudited), and total capital and surplus of \$1.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914)273-4545.

Moody's Investors Service rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the claims paying ability of the Insurer "AAA".

Fitch Investors Service, L.P., rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Certificates. The Insurer does not guaranty the market price of the Certificates nor does it guaranty that the ratings on the Certificates will not be revised or withdrawn.

There can be no assurances that payments made by the Insurer representing interest on the Certificates will be excluded for gross income, for federal tax purposes, in the event of nonappropriation by the State.

#### **SUMMARY OF THE LEASE AGREEMENT AND THE TRUST AGREEMENT**

The following are summaries of certain provisions of the Lease Agreement and the Trust Agreement, as well as certain defined terms used therein. The summaries do not purport to be complete, and reference is made to the full text of the Lease Agreement and the Trust Agreement, respectively, for a complete recital of their terms, as well as a complete recital of the defined terms used therein.

#### **Definitions**

**"Assumed Cost"** shall mean, when used in any calculation required under the Trust Agreement, the sum of (a) the amounts, if any, expended by the Lessee for Costs prior to the date of the most recent Requisition Certificate and (b) the amounts required to be expended by the Lessee for Costs for completion of construction of the Project.

**"Authorized Agency Representative"** shall mean the President of York County Technical College or such other person designated in writing by the President of York County Technical College to act as an Authorized Agency Representative.

**"Base Lease Agreement"** shall mean the Base Lease Agreement, dated as of January 1, 1997, as set forth in Section 2.1 of the Lease Agreement, and all amendments thereto.

**"Basic Lease Payment"** shall mean, as of each Lease Payment Date, the amount equal to the payment of the principal, if any, and interest evidenced by the Certificates and due on such Lease Payment Date.

**"Cede & Co."** shall mean Cede & Co., as nominee of The Depository Trust Company, New York, New York.

**"Certificate Holder or Holders"** or **"Holder of Certificates"** shall mean the registered owner of any Certificate or Certificates and the beneficial owner of such Certificate or Certificates. When the Trust Agreement requires or permits consent from or direction by Certificate Holders such reference shall mean and include the registered owner only if such registered owner is lawfully entitled to take such action on behalf of the beneficial owner, which right must be proven to the Trustee to the Trustee's satisfaction. Any amendment to the Trust Agreement, Lease Agreement, or any other document which is a part of the record of proceedings for issuance of the Certificates which requires the consent of the Certificate Holders shall also require the consent of the Insurer.

**"Certificate Insurance Policy"** shall mean the municipal bond Insurance policy of the Insurer described at Exhibit D to this Official Statement and insuring payment when due of the Certificates.

**"Completion Certificate"** shall mean a certificate substantially in the form set forth in Exhibit C to the Trust Agreement.

**"Cost"** shall mean any costs and expenses incurred in connection with the acquisition and construction of the Project, the improvement of the Site, improvements necessary to comply with any permit, the sale, execution, and delivery of the Certificates, including costs of issuance and, if permitted by law, any other costs and expenses in connection with the equipping and operation of the Project.

**"Cost Payment Fund"** shall mean the Cost Payment Fund established pursuant to Article II of the Trust Agreement.

**"Fiscal Year"** shall mean the twelve-month fiscal period of the Lessee which commences on July 1 in every year and ends on June 30 of the succeeding year.

**"Governmental Obligations"** shall mean direct general obligations of, or obligations guaranteed as to principal and interest by, the United States of America or the State of Maine and any certificates or other evidences of an ownership interest



in such obligations or in specified portions of the interest thereon, but not including repurchase agreements with respect thereto.

**"Insurer"** shall mean MBIA Insurance Corporation.

**"Lease Payment Date"** shall mean July 1 and January 1 of each year, commencing July 1, 1997.

**"Lease Payment Fund"** shall mean the Lease Payment Fund established pursuant to Section 4.01 of the Trust Agreement.

**"Lease Term"** shall mean the period during which the Lease Agreement is in effect as specified in the Lease Agreement.

**"Mortgage"** shall mean a Mortgage, Security Agreement, and Financing Statement for the Premises granted by Lessee to the Trustee for the benefit of the Certificate Holders.

**"Outstanding"** shall mean when used as of any particular time with respect to Certificates, all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the or payment or redemption of which funds or Qualified Investments in the necessary amount shall theretofore have been deposited with the Trustee (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice;

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 3.07 of the Trust Agreement; and

(d) Certificates for the payment of which Governmental Obligations shall have theretofore been deposited with the Trustee pursuant to Section 8.02 of the Trust Agreement.

**"Participants"** shall mean those financial institutions identified in a listing maintained by the Securities Depository for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time reference is made to such Participants.

**"Paying Agent"** shall mean the Trustee, as set forth in the

Trust Agreement.

**"Premises"** shall mean the Project and the Site. See "THE LESSEE AND THE PROJECT" herein.

**"Project"** shall mean the buildings, equipment, infrastructure, parking facilities, access roads, lighting, and associated appurtenances erected on the Site, and financed by the proceeds of the Certificates, as such Project may be altered pursuant to the Lease Agreement.

**"Qualified Investments"** shall mean the Qualified Investments described in Section 6.03 of the Trust Agreement.

**"Rebate Fund"** shall mean the Rebate Fund established pursuant to the Trust Agreement.

**"Redemption Price"** shall mean the price specified in the Trust Agreement for any optional or extraordinary redemption of the Certificates prior to the maturity thereof.

**"Replacement Certificates"** shall mean Certificates issued to the beneficial owners of the Certificates in accordance with the Trust Agreement.

**"Requisition Certificate"**, shall mean a payment requisition certificate related to the construction or funding of the Project, substantially in the form set forth in Exhibit B to the Trust Agreement.

**"Securities Depository"** shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

**"Site"** shall mean the land, together with any rights of access thereto and any other rights with respect thereto, all as described in Exhibit A to the Trust Agreement.

**"State"** shall mean the The State of Maine.

**"Trust Estate"** shall mean all estate, right, title, and interest of the Trustee in and to the Lease Payments, the Premises, the Mortgage, the Certificate Insurance Policy, and the Lease Agreement, including, without limitation (a) all amounts from time to time deposited in the funds created pursuant to the Trust Agreement in accordance with the provisions of the Lease Agreement, including investment earnings thereon, except amounts deposited in the Rebate Fund; and (b) any and all proceeds received by the Trustee and not required to be remitted to the Lessee upon damage, destruction or condemnation of the Project pursuant to the Lease Agreement.

## **THE LEASE AGREEMENT**

### **General**

The Lease Agreement to be entered into with respect to the Certificates is between the Lessor and the Lessee. On the date of execution, Lessor is assigning all of its right, title, and interest in the Lease Agreement to the Trustee for the benefit of the Certificate Holders. The Lease Agreement contains the terms and conditions under which the Premises will be leased to the Lessee.

The Lessee agrees that it will be responsible for letting of contracts for the design and construction of the Project.

### **Base Lease Agreement**

As part of the Lease Agreement, the Lessee and the Lessor have agreed that the Lessee will lease to the Lessor its Site, together with all improvements erected or made on the Site before or after the date of execution of the Lease Agreement, and financed by the Certificates, including, without limitation, the Project to be erected by Lessee, for a Base Lease Term commencing on the date of authentication and delivery of the Certificates and terminating on the earlier of the date of payment in full by Lessee of all Lease Payments and all other amounts due from Lessee hereunder, the passage of twenty (20) years after the date of authentication and delivery of the Certificates, or the passage of unconditional title to the Premises to the Trustee pursuant to the terms of the Mortgage granted by Lessee to the Trustee for the benefit of the Certificate Holders.

### **Lease Term**

The Lease Agreement shall be in effect for a Lease Term commencing on the date of authentication and delivery of the Certificates and ending on the date on which all Basic Lease Payments and all other amounts due under the Lease Agreement shall have been paid in accordance with the Lease Agreement and the Trust Agreement, unless sooner terminated in accordance with the provisions of the Lease Agreement and the Trust Agreement.

The Lease Term will terminate upon the earliest of the following events:

(a) the Trustee's receipt of a notice of nonappropriation as defined by Section 3.5 of the Lease Agreement;

(b) a default by the Lessee and Trustee's election to terminate the Lease Term pursuant to Section 8.2 of the Lease Agreement;

(c) the payment by the Lessee of all Lease Payments scheduled to be paid under the Lease Agreement; or

(d) the discharge of the Trust Agreement pursuant to Article VIII thereof.

### **Lease Payments**

On each Lease Payment Date, the Lessee will pay to the Trustee, in lawful money of the United States of America, its Basic Lease Payment for such Lease Payment Date, less any credits provided for under the provisions of the Lease Agreement. The Lessee agrees to deposit such amount with the Trustee at least fifteen (15) days prior to each Lease Payment Date in order to assure that sufficient moneys will be available to the Trustee to make timely distribution thereof to the Certificate Holders in accordance with the Trust Agreement.

The obligation of the Lessee to make its Lease Payments and all other amounts required to be paid by the Lessee under the Lease Agreement and to perform its obligations under the Lease Agreement will be absolute and unconditional and will not be subject to set-off, recoupment, or counterclaim, provided, however, that such obligations of the Lessee are subject to the availability of certain funds to the Lessee. The Certificates are payable in the first instance from non-State funds such as tuition revenues received by York County Technical College. The Certificates are payable secondarily from appropriations made to the Maine Technical College System by the Maine Legislature. If state appropriations become necessary to repay the Certificates, the cost and expense of the performance by the Lessee of its obligations under the Lease Agreement and the occurrence of any liabilities of the Lessee under the Lease Agreement, including, without limitation, the payment of all Basic Lease Payments and amounts payable under the Lease Agreement, will be subject to and dependent upon appropriations being made from time to time by the State Legislature for such purposes.

### **Credits to Required Payments**

The Lessee is entitled to receive credits to certain payments required under the Lease Agreement. The Trustee is required under the terms of the Trust Agreement:

(a) to retain in the Lease Payment Fund the interest income earned by reason of investment of moneys held therein. During the Lease Term such interest income will be applied as a credit against the Basic Lease Payment and deemed to be payment for the interest portion thereof.

(b) On the delivery of a certificate to the Trustee and to the Insurer from the Lessee indicating that construction of the Project is complete, amounts, if any, on deposit in the Cost Payment Fund will be deposited into the Lease Payment Fund as a credit against the Basic Lease Payment due on the next occurring Lease Payment Date.

### **Additional Provisions**

The Lessee will keep the Project insured against loss or damage by fire and such other risks as are commercially reasonable.

The Lessee agrees that at all times during the Lease Term, it will, at its own cost and expense, maintain, preserve, and keep its Premises in good repair, working order, and condition, and that it will from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals thereto. The Trustee or Lessor will have no responsibility in any of these matters, for the making of improvements or additions to any part of the Project. During the Lease Term, the Lessee is also responsible for the payment of taxes and governmental charges, if any, relating to the Premises and the payment of the fees and expenses of the Trustee, including certain indemnification payments.

During the Lease Term, the Trustee will have the right during the Lessee's normal working hours to examine and inspect the Lessee's Premises for the purpose of assuring that such Premises are being properly maintained, preserved, and kept in good repair, working order, and condition. Also, the Trustee will have such rights of access to the Premises as may be reasonably necessary to inspect the Premises.

During the Lease Term, the Lessee will hold title to the Premises and any and all additions, repairs, replacements, or modifications thereto. In the event of termination of the Lease Term prior to the payment of all Lease Payments scheduled therefor, the Lessee will surrender possession of the Premises to the Trustee.

### **Defaults and Remedies**

The following are events of default under the Lease Agreement:

- (a) failure by the Lessee to pay in full any Lease Payment or other payment required to be paid under the Lease Agreement at the time and in the manner specified therein; or
- (b) failure by the Lessee to observe and perform any covenant, condition, or agreement on its part to be observed or performed, other than a failure referred to in (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Lessee by the Lessor, unless the Lessor shall agree in writing to an extension of such time prior to its expiration.

When an event of default has happened and is continuing, the Trustee will be entitled to terminate the Lease Agreement, to relet the Premises, to apply monies in the funds, except for the

Rebate Fund, under the Trust Agreement to payment of amounts due on the Certificates, to acquire unconditional title to the Premises pursuant to the Mortgage, collect and apply any proceeds from the Certificate Insurance Policy for the benefit of the Certificate Holders, and/or to take whatever action at law or in equity may appear necessary or desirable to collect any Lease Payments or other payments then due or to take any combination of such remedial steps. Upon the occurrence of an event of default, the remedies of the Trustee shall be subject to the requirements of the Insurer, as described in the Lease Agreement and in the Trust Agreement.

In the event the Trustee fails to take any action to eliminate an occurrence or event of default under the Lease Agreement, the Certificate Holders of a majority in aggregate principal amount of Certificates then Outstanding may institute any suit, action, mandamus, or other proceeding in equity or at law for the protection or enforcement of any right under the Lease Agreement or the Trust Agreement, but only if such Certificate Holders have first made written request of the Trustee after the right to exercise such powers or right of action shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or granted under the law or to institute such action, suit, or proceeding in its name and unless also the Trustee shall have been offered reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

A failure by the Lessee to pay when due any payment required to be made under the Lease Agreement or a failure by the Lessee to observe and perform any covenant, condition, or agreement to be observed or performed by the Lessee under the Lease Agreement, resulting from a failure by the State Legislature to appropriate moneys for such purpose, will not constitute an event of default under the Lease Agreement.

## **THE TRUST AGREEMENT**

### **Trust Estate**

Except as otherwise expressly provided in the Trust Agreement, all amounts payable by the Trustee with respect to the Certificates will be paid only from the income of and proceeds from the Trust Estate and only to the extent that the Trustee will have actually received sufficient income or proceeds from the Trust Estate to make such payments. Each Certificate Holder agrees to look solely to the income of and the proceeds from the Trust Estate to the extent available for distribution to such Holder. In the event the Lessee fails under its Lease Agreement to make payment of the fees, charges, and indemnifications owing to the

Trustee, the Trustee will have the right, prior to the payment of any Certificates, to deduct such amounts owing from any and all funds held under the Trust Agreement.

### **Cost Payment Fund**

Proceeds of the sale of the Certificates deposited in the Cost Payment Fund will be applied to pay the Cost of the Project upon the Trustee's receipt of Requisition Certificates of the Lessee. See "LESSEE AND THE PROJECT--The Project" herein for a description of the Project.

The Trustee will make payment from the Cost Payment Fund in the amounts, at the times, in the manner, and on the other terms and conditions set forth in the Trust Agreement. No such payment will be made until the Trustee has received a Requisition Certificate signed by an Authorized Agency Representative stating with respect to each payment to be made: (a) the payment order number, (b) the name and address of the person, firm, corporation, or agency to whom payment is due or has been made, (c) the amount to be paid, (d) a description of the work to which such payment is to be applied, (e) that each such payment obligation has been properly incurred, is an item of Cost, is a proper charge against the Cost Payment Fund, and has not been the basis of any previous withdrawal, and (f) that the payment of such Cost will not cause the balance remaining in the Cost Payment Fund to be less than the amount necessary to pay the remaining estimated Costs to be paid from the Cost Payment Fund. The Trustee will issue its check for each payment required by such Requisition Certificate.

The completion of the construction of the Project will be evidenced by a Completion Certificate of an Authorized Agency Representative, which will be filed with the Trustee and the Insurer.

If construction of any Building is not completed by the last day of the 36th month after the delivery of the Certificates, the Trustee will restrict the investment of, or the yield on the investment of, unspent proceeds held in the Cost Payment Fund, pursuant to Section 2.05 of the Trust Agreement in order to comply with the requirements of the Code.

### **Lease Payment Fund**

All Lease Payments and certain other moneys received by the Trustee with respect to the Lease Agreement will be deposited by the Trustee in the Lease Payment Fund immediately upon receipt. Moneys in the Lease Payment Fund are to be applied to payments of principal and interest due with respect to the Certificates, on each Lease Payment Date for such Certificates or to the redemption of such Certificates. See "CERTIFICATES OF PARTICIPATION--Redemption" herein.

### **Rebate Fund**

Amounts deposited from time to time in the Rebate Fund established with respect to the Certificates will be applied to the payment, if any, owed to the United States of America under the Code.

### **Investments of Funds**

Moneys held in the Cost Payment Fund, Lease Payment Fund, and Reserve Fund will be invested and reinvested by the Trustee to the fullest extent practicable in Qualified Investments which mature not later than such times when such moneys will be needed for payments to be made from such Funds. The Lessee has the option of directing all such investments.

Subject to the requirement to deposit such interest or income into the Rebate Fund, interest or income received by the Trustee on investment of moneys in the funds established under the Trust Agreement will be applied by the Trustee as described below:

(a) Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments) earned on any moneys or investments in the Lease Payment Fund will be retained in the Lease Payment Fund and applied on the next occurring Lease Payment Date as a credit against the Basic Lease Payment then due on such date.

(b) Any income, profit, or loss on investments from any other funds established pursuant to the Trust Agreement shall be deposited in or charged to the respective funds from which such investments were made, and any interest on any deposit of funds shall be deposited in the fund from which such deposit was made.

### **Action on Termination or Default**

The following shall be "events of default" under the Trust Agreement:

(a) Any event of default under the Lease Agreement.

(b) Failure by the Lessee, the Lessor, or the Trustee to observe and perform any covenant, condition, or agreement on its part to be observed or performed under the Trust Agreement, except such failure as may constitute an event of default under clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the defaulting party by any other party to the Trust Agreement or by the Certificate Holders of not less than five percent (5%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, such other parties and Certificate Holders will not unreasonably



withhold their consent to an extension of such time if corrective action is instituted by the defaulting party within the applicable period and diligently pursued until the default is corrected.

Upon failure by the Lessee to pay in full its Lease Payment or other payment required to be paid under the terms of the Lease Agreement at the time and in the manner specified therein, the Trustee shall proceed, or upon the occurrence and continuance of any other event of default under the Trust Agreement or under the Lease Agreement, the Trustee may proceed and upon written request of the Certificate Holders of not less than a majority in aggregate principal amount of Certificates then Outstanding shall proceed, to take whatever action it deems necessary at law or in equity to collect the Lease Payments or any other payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant under the Lease Agreement or the Trust Agreement.

Upon termination of the Lease Term in the event of nonappropriation of funds by the State Legislature to make Basic Lease Payments or by the Trustee upon the occurrence of an event of default by the Lessee under the provisions of the Lease Agreement, the Trustee may take whatever actions are reasonably necessary to relet the Premises, acquire unconditional title to and dispose of the Premises, file a claim against the Certificate Insurance Policy, transfer amounts in the Reserve Fund or Capitalized Interest Fund to the Lease Payment Fund, and apply the net proceeds thereof to the redemption or payment of the Certificates as provided in the Trust Agreement.

Upon the occurrence of an event of default or an event of nonappropriation, the remedies of the Trustee shall be subject to the requirements of the Insurer, as described in the Lease Agreement and in the Trust Agreement.

#### **Discharge of Encumbrance**

Upon payment by the Lessee of all Lease Payments during the Lease Term, or upon the redemption of the Certificates, all right, title, and interest of the Lessor and the Trustee in and to the Lessee's Premises shall be conveyed to and vested in the Lessee without the necessity of any other instrument or document of conveyance.

Basic Lease Payments, any portion of the principal thereof, or any part of the interest portion thereof shall be deemed to be paid within the meaning of the Trust Agreement when (1) payment of the principal portion of Basic Lease Payments, or any portion thereof or any portion of interest thereof, plus interest thereon to the due date thereof, either (i) shall have been paid or caused to be paid in accordance with the terms of the Lease Agreement, or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for

such payment (x) moneys sufficient to make such payment and/or (y), if permitted by law, Governmental Obligations maturing as to principal and interest in such amounts and at such time as will insure the availability of sufficient moneys to make such payment, and (2) all necessary and proper fees, compensation, and expenses of and other amounts payable to the Trustee pertaining to the Certificates, with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee; provided, that the Lessee shall have given to the Trustee any necessary instructions regarding payment of the Certificates. At such time as the principal portion of a Basic Lease Payment and all interest with respect thereto shall be deemed to be paid under the Trust Agreement, as aforesaid, any Certificate with respect thereto shall no longer be secured by or entitled to the benefits of the Trust Agreement, except for the purposes of any such payment from such moneys or Governmental Obligations.

### **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services (a Division of the McGraw-Hill Companies, Inc.) ("S&P") have, respectively, assigned the ratings appearing on the cover hereof to the Certificates, based upon the issuance of the Certificate Insurance Policy.

Generally, each such rating agency bases its ratings on such information and materials and also on such investigations, studies, and assumptions as each may undertake or establish independently. Each rating assigned to the Certificates reflects only the view of the rating agency assigning the rating at the time each such rating was issued. There is no assurance that any such rating will continue for any given period of time or that such rating may not be suspended, revised downward, or withdrawn entirely by the rating agency assigning the same if, in the judgement of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Any explanation of the significance of a rating should be obtained only from the rating agency which assigned such rating.

### **RISK FACTORS**

The purchase of the Certificates is subject to certain risks. EACH PROSPECTIVE INVESTOR IN THE CERTIFICATES IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY. Particular attention should be given to the factors described below which, among others, could affect or eliminate payment of Lease Payments and other payments by the Lessee on or with respect to the Certificates, and which could adversely affect the secondary market price for the Certificates.

### **Risk of Nonappropriation**

The Certificates are payable in the first instance from non-State funds such as tuition revenues received by York County Technical College. The Certificates are payable secondarily from appropriations made to the Maine Technical College System by the Maine Legislature. If State appropriations become necessary to repay the Certificates, Lessee's obligation to make Basic Lease Payments and to perform other obligations under the Lease Agreement are subject to and dependent upon appropriations being made by the Maine Legislature for such purpose, and if, in such a circumstance, the Maine Legislature affirmatively provides by act, resolution, or other enactment that funds appropriated to the Lessee shall not be expended for the Basic Lease Payment next due, then Lessee shall within ten (10) calendar days of the effective date of such legislation deliver to the Trustee a notice of nonappropriation setting forth the facts as to why Lessee shall be prohibited from paying its Basic Lease Payment next due or any other payment for which Lessee is obligated under the Lease Agreement. Upon receipt of such a notice of nonappropriation, the Lease Agreement will terminate. Upon termination of the Lease Agreement because of receipt by the Trustee of a notice of nonappropriation, Lessee will not be responsible for any additional Basic Lease Payments or other payments under the Lease Agreement.

### **Risk of Default**

The Lessee is obligated to perform numerous obligations under the Lease Agreement including, among other things, the obligation to make basic Lease Payments and other payments under the Lease Agreement. Failure by the Lessee, other than a failure by Lessee due to nonappropriation, to (a) pay in full any Basic Lease Payment or other payment required to be paid by it under the Lease Agreement; or (b) perform any other covenant, condition, or agreement under the Lease Agreement which failure of performance continues for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Lessee by the Trustee, unless conditions of force majeure are present under the Lease Agreement or unless the Trustee shall grant an extension of time to Lessee for performance, shall be an event of default under the Lease Agreement. Upon the occurrence of an event of default under the Lease Agreement, the Trustee may terminate the Lease Agreement.

### **Risk of Inadequate Remedies**

Upon termination of the Lease Agreement, the Trustee may take one or any combination of the following remedies with respect to the Trust Estate:

- (1) relet the Premises;

(2) acquire unconditional title to the Premises pursuant to the Mortgage, and thereafter dispose of the Premises;

(3) collect and apply to the payment of Basic Lease Payments due, or to become due, under the Lease Agreement the proceeds of the Certificate Insurance Policy;

(4) apply the moneys contained in the Reserve Fund and in the Capitalized Interest Fund to the payment of Basic Lease Payments; or

(5) take whatever action at law or in equity may appear necessary or desirable to collect the Basic Lease Payments or other payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, or covenant under the Lease Agreement or the Trust Agreement.

Upon the occurrence of an event of nonappropriation or an event of default, the Certificates may be subject to redemption in whole, without premium, if the Certificate Holders of a majority in aggregate principal amount of Certificates Outstanding direct the Trustee to effect such a redemption. The Certificates are also subject to redemption in whole or in part, without premium, from any unused proceeds of insurance from damage to or destruction of the Premises or of condemnation or taking by eminent domain of the Premise as provided in the Lease Agreement. See "THE CERTIFICATES OF PARTICIPATION--Redemption" herein.

UPON THE OCCURRENCE OF A TERMINATION OF THE LEASE AGREEMENT AND/OR A REDEMPTION OF THE CERTIFICATES, THERE IS A RISK THAT THERE WILL BE INSUFFICIENT MONEYS AVAILABLE TO PAY FULLY THE PRINCIPAL OF AND INTEREST ON THE CERTIFICATES OUTSTANDING UNDER THE LEASE AGREEMENT.

#### **Risk Related to Real Estate**

The interests of the Lessor and the Trustee in all real estate associated with and partially securing payment on the Certificates is derived from (i) a Base Lease from Lessee to Lessor for the Site and the Project and running for the Lease Term of the Lease Agreement, and (ii) the Mortgage. Upon termination of the Lease Agreement, there can be no assurance that the Trustee will be able to sublease the Project and the Site to persons other than Lessee at amounts sufficient to pay the Lease Payments on the Certificates, and there can be no assurance that the Trustee can obtain unconditional title to and dispose of the Project and the Site in a manner that obtains amounts sufficient to pay the Lease Payments on the Certificates.

Additionally, in the event that the Site or the Project or any portion thereof are subleased or disposed of by the Trustee after termination of the Lease Agreement, certain zoning or other land use restrictions or regulatory requirements of the municipality in

which the Site and the Project are located may become applicable to the Site and to the Project. In such an event, the manner in which a potential sublessee or user of the real estate may use the real estate could be substantially restricted or impaired. This could materially and adversely affect the amount of proceeds that would be available to the Trustee from such a sublease, disposition, or assignment of rights to the real property comprising the Site and the Project. Similarly, the Site and the Project are specifically being designed, constructed, and equipped as a public technical college with specialized administrative and classroom facilities such as culinary arts classrooms, computer laboratories, college bookstores, student lounges, cafeterias, and other non-general purpose space. Such space simply may be unusable by a potential sublessee or other potential user of the real estate comprising the Site and the Project. In addition, the tax-exempt status of the portion of Base Lease Payments designated and paid as interest under the Lease Agreement is dependent on the Project being used, throughout the Lease Term and while there are any Certificates Outstanding, for a tax-exempt purpose as described in the Code. After termination of the Lease Agreement, it may be difficult or impossible for the Trustee to continue to use the Project for such a tax-exempt purpose.

#### **Risk of Termination of Lease Generally**

A potential purchaser of the Certificates should not assume that it will be possible to repossess and liquidate the Site or the Project, or to sublease or sell any real estate subject to the Lease Agreement or any portion thereof after a termination of the Lease Agreement for an amount equal to the aggregate principal amount of the Certificates then Outstanding, plus accrued interest thereon. This may be due to the inability to recover certain of the costs incurred in connection with acquisition and renovation of the Site and the Project, including any real estate. Further, the value of the Project constituted of personal property, which consists primarily of specialized computer and teaching equipment, may depreciate rapidly in value.

If the Certificates are redeemed subsequent to a termination of the Lease Agreement for an amount less than the aggregate principal amount thereof and accrued interest thereon, such partial payment will be deemed to constitute a redemption in full of the Certificates. NO OWNER OF ANY CERTIFICATE WILL HAVE ANY FURTHER CLAIMS FOR PAYMENT AGAINST THE STATE, THE LESSEE, THE LESSOR, OR THE TRUSTEE FOLLOWING SUCH A REDEMPTION.

#### **Risks of Liquidation Delays**

A termination of the Lease Agreement as a result of an event of nonappropriation or an event of default will give the Trustee the right to possession of the Site and the Project and the right to exercise certain remedies provided under the Lease Agreement, including the right to liquidate the portion of the Project consisting of equipment and to sublease or sell the portion of the

Project consisting of real estate in accordance with the provisions of the Lease Agreement and the Trust Agreement. The enforceability of the Lease Agreement, the Trust Agreement, and related documents is subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise of judicial discretion in appropriate cases. Because of possible delays inherent in repossessing and liquidating the portion of the Project consisting of equipment and in subleasing or selling the portion of the Project consisting of real estate, it should not be assumed that the remedies of the Trustee are remedies that could be exercised rapidly or that will produce amounts sufficient to pay the Certificates in full. Any delays in the ability of the Trustee to realize upon its interests in the Site and the Project may result in delay in the payment of the Certificates and possible depreciation in the value of the Site and the Project.

#### **Risk of Lack of Perfected Security Interest**

Maine law does not provide a definite means of perfecting a security interest in property held by the State. Accordingly, no assurance can be given that, in the event of the State's bankruptcy, insolvency, or other financial distress, the Trustee will have a priority interest in the Site or the Project and that the full liquidation or reutilization value, or any liquidation reutilization proceeds will be available to make payment on the Certificates.

#### **Securities Risks**

Special Counsel has rendered no opinion with respect to the applicability of the registration requirements of the Securities Act of 1933, as amended, to the transfer of any Certificates subsequent to a termination of the Lease Agreement by reason of an event of nonappropriation or an event of default. If the Lease Agreement is terminated by reason of any such event, there is no assurance that the Certificates may be transferred by an owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

#### **Tax Risks**

Special Counsel has rendered no opinion as to the treatment for Federal or State income tax purposes of any monies received by an Owner of the Certificates subsequent to a termination of the Lease Agreement by reason of an event of nonappropriation or an event of default. The tax-exempt status of the portion of Basic Lease Payments designated and paid as interest under the Lease Agreement is dependent on the Project being used, throughout the Lease Term and while there are Certificates Outstanding, for a tax-exempt purpose as described in the Code. After termination of the Lease

Agreement because of an event of nonappropriation or an event of default, it may be difficult or impossible for the Trustee to continue to use the Project for such a tax-exempt purpose. Accordingly, there is no assurance that any monies received by the Owners of the Certificates subsequent to any such event will be exempt from Federal or State income taxation.

#### **LEGAL MATTERS**

Certain legal matters relating to the delivery of the Certificates will be subject to the final approving opinion of the Law Offices of John E. Larouche, Augusta, Maine, Special Counsel, a copy of which proposed opinion is set forth in Appendix B hereto. Certain legal matters will be passed upon by the Law Offices of John E. Larouche, Augusta, Maine, as counsel to the Issuer, a copy of which proposed opinion is set forth in Appendix C hereto. Certain legal matters will be passed upon separately by LeBoeuf, Lamb, Greene & MacRae, L.L.P., New York, New York, and Sheehan Phinney, Bass & Green, Manchester, New Hampshire, counsel to the Underwriter and the Trustee respectively.

#### **LITIGATION**

There is no litigation pending or, to the knowledge of the Lessee or the Law Offices of John E. Larouche, threatened seeking to restrain or enjoin the issuance or delivery of the Certificates or questioning or affecting the validity of the Certificates or the proceedings and authority under which they are to be issued or which in any manner questions the right of the Lessee to finance the acquisition and construction of the Project. Neither the creation, organization, or existence of the Lessee, nor the title of its present trustees or other officers of the Lessee to their respective offices, is being contested.

No litigation is pending or, to the knowledge of the Lessee or the Law Offices of John E. Larouche, threatened which in any manner could have a material adverse effect upon the operation of any of the Lessee's facilities, the ability of Lessee to make Basic Lease Payments on the Certificates, or the financial condition of the Lessee.

In the event of litigation against the Lessee, the Maine Tort Claims Act, 14 M.R.S.A. §§8101-8118, would limit, in certain instances, the amount of damages recoverable. In general the Maine Tort Claims Act provides that an award of damages against a governmental entity and its employees is limited to \$300,000, unless the governmental entity has procured liability insurance in excess of \$300,000, in which case the limits of such insurance would replace the \$300,000 limit.

## TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), imposes requirements as a condition to the exemption from Federal income taxation of interest on the Certificates. These requirements include, but are not limited to, requirements relating to the use and expenditure of bond proceeds, requirements relating to the investment of bond proceeds prior to expenditure, and the requirement that certain arbitrage earnings on the investment of bond proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Certificates to become subject to Federal income taxation retroactive to the date of issue of the Certificates.

The Non-Arbitrage and Use of Proceeds Certificate of the Lessee, to be executed and delivered concurrently with delivery of the Certificates, contains provisions and covenants regarding compliance with the requirements of the Code. The Lessee, in executing its Non-Arbitrage and Use of Proceeds Certificate, will certify to the effect that it expects to be able to comply with and will comply with the provisions and covenants set forth therein and that it will do and perform all acts and things necessary and desirable to assure that interest paid on the Certificates shall, for purposes of Federal income taxation, be and remain excludable from the gross income of the recipients thereof pursuant to Section 103 of the Code.

The Law Offices of John E. Larouche, Special Counsel, will state in its opinion on the Certificates that, under existing statutes and court decisions, the portions of the Basic Lease Payments designated and paid as interest on the Certificates is excludable from the gross income of the recipients thereof for Federal income tax purposes pursuant to Section 103 of the Code; and, under existing statutes and court decisions, such interest on the Certificates will not be treated as a preference item for purposes of calculating the Federal alternative minimum tax on individuals or corporations. In the opinion of the Law Offices of John E. Larouche, Special Counsel, under existing statutes, such interest on the Certificates is exempt from State of Maine income tax imposed on individuals.

However, such interest on the Certificates will be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the alternative minimum tax, the environmental tax, and the foreign branch profits tax.

No opinion is expressed as to whether, in the event of nonappropriation under the Lease Agreement or the Trust Agreement, any amounts received by a Certificate Holder from insurance proceeds would be excluded from gross income for purposes of Federal income taxation or for purposes of State of Maine income tax imposed on individuals.



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

#### **UNDERWRITER**

As the Underwriter, ABN AMRO Chicago Corporation, has agreed to purchase all of the Certificates at an underwriter's discount of \$52,800 from the par amount of the Certificates, plus accrued interest of approximately \$27,580.61 to the date of delivery of the Certificates pursuant to a Purchase Contract entered into between the Lessee and the Underwriter. The Certificates may be offered and sold to certain dealers, including the Underwriter, at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriter.

#### **CONTINUING DISCLOSURE AGREEMENT**

Prior to the issuance of the Certificates, the Lessee will undertake, for the benefit of the beneficial owners of the Certificates, to provide:

- (a) by not later than seven months from the end of each fiscal year of the Lessee, to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository for the State of Maine ("SID"), if any, audited financial statements of the Lessee for such fiscal year, if available, prepared in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards and otherwise prepared and audited in accordance with applicable law, as it may be amended from time to time, or, if such audited financial statements of the Lessee are not available by seven months from the end of such fiscal year, unaudited financial statements of the Lessee for such fiscal year to be replaced subsequently by audited financial statements of the Lessee to be delivered within 15 days after such audited financial statements become available for distribution;
- (b) by not later than seven months from the end of each fiscal year of the Lessee to each NRMSIR, and to the SID, if any,

the annual debt service requirement for Lessee to the extent such item is not included in the audited financial statements referred to in (a.) above;

- (c) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, if any, notice of any of the events set forth in Rule 15c2-12 (b) (5) (i) (C) issued under the Securities Exchange Act of 1934 (as such Rule exists on the date of this Official Statement) with respect to the Certificates, if material; and
- (d) in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of a failure of the Lessee to provide required annual financial information described in (a) or (b) above on or before the date specified.

If the Lessee fails to comply with the provisions of the undertaking described in (a) through (d) above, any beneficial owner of the Certificates may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such provisions shall not be an event of default and shall not result in any acceleration of payment of the Certificates. However, failure by the Lessee to comply with such undertaking must be reported in accordance with Rule 15c2-12 issued under the Securities Exchange Act of 1934 ("Rule 15c2-12") and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price. All actions shall be instituted, had, and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Certificates.

Pursuant to the undertaking, the Lessee reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Lessee, provided that:

- (a) any such modification may only be 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 Lessee;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and
- (c) any such modification does not materially impair the interests of the beneficial owners, as determined either by

parties unaffiliated with the Lessee (such as bond counsel), or by the approving vote of the registered owners of a majority in principal amount of the Certificates pursuant to the terms of such resolution, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reason for the modification and the impact of the change in the type of operating data or financial information being provided.

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

#### **MISCELLANEOUS**

Any statement in this Official Statement involving any matter of opinion, whether or not expressly so stated, is intended as such and not as a representation of fact. No representation is made that such opinion will actually be borne out. This Official Statement is not to be construed as a contract or agreement between the Lessee and the purchasers or owners of any of the Certificates. The execution and distribution of this Official Statement has been duly authorized by the Lessee.



APPENDIX A

**MAINE TECHNICAL COLLEGE SYSTEM  
(a component unit of the State of Maine)**

**COMBINED FINANCIAL STATEMENTS**

**June 30, 1996**

# MAINE TECHNICAL COLLEGE SYSTEM

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REPORT OF INDEPENDENT ACCOUNTANTS

To Board of Trustees of the  
Maine Technical College System:

We have audited the accompanying combined balance sheet of the Maine Technical College System (the MTCS), a component unit of the State of Maine, and Maine Career Advantage (MCA) as of June 30, 1996, and the related combined statements of changes in fund balances, and current fund revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the management of the MTCS. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. 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.

As more fully described in Note 12 to the financial statements, the Maine Technical College System recognized state appropriation revenue during the year ended June 30, 1993, which remains as a receivable due from the State of Maine at June 30, 1996, in the amount of \$945,731. In our opinion, while the State has acknowledged its obligation for the receivable under Public Law, Chapter 410 and reappropriated \$320,000 towards its repayment in fiscal 1997, \$625,731 of such receivable should not be recognized in the MTCS's June 30, 1996 financial statements under generally accepted accounting principles as the State of Maine has not legally obligated itself to make payment on amounts deferred beyond its fiscal 1996 through 1997 biennium budget period.

In our opinion, except for the effect of having previously recognized revenue and presenting a receivable balance related to deferred state appropriations as discussed in the preceding paragraph, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Maine Technical College System and Maine Career Advantage as of June 30, 1996, and the changes in their fund balances, and their current fund revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 2, 1996, on our consideration of the Maine Technical College System's internal control structure and a report dated October 2, 1996, on its compliance with laws and regulations.

*Coopers & Lybrand L.L.P.*

Portland, Maine  
October 2, 1996

**MAINE TECHNICAL COLLEGE SYSTEM  
COMBINED BALANCE SHEET  
June 30, 1996**

	Maine Technical College System					Memorandum Total
	Current Unrestricted	Current Restricted	Endowment Funds	Plant Funds	Memorandum Total	
<b>ASSETS (Note 4)</b>						
Cash and cash equivalents (Note 3)	\$ 865,874	\$ 262,558		\$ 1,300,645	\$ 2,429,077	\$ 2,590,623
Investments at cost (Note 4)	6,933,799	244,795	\$ 918,408		8,097,002	8,097,002
Accounts receivable, less allowance for doubtful accounts of approximately \$139,000 in the current unrestricted fund		258,108		650	1,046,769	1,238,209
Inventories	788,011				490,853	490,853
Other assets	440,820	994			441,814	450,924
Due from state (Note 12)	946,241	293,782		128,570	1,368,593	1,742,722
Land, buildings, equipment and fixtures, net (Note 5)				58,437,702	58,437,702	58,520,391
<b>Total assets</b>	<b>\$ 10,465,598</b>	<b>\$ 1,060,237</b>	<b>\$ 918,408</b>	<b>\$ 59,867,567</b>	<b>\$ 72,311,810</b>	<b>\$ 73,130,724</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 701,662	\$ 109,336		\$ 219,260	\$ 1,030,278	\$ 1,295,306
Accrued expenses	4,269,967	242,689		19,990	4,532,646	4,636,546
Deferred revenues	431,156	14,541			445,697	499,489
Bonds payable (Note 6)				892,055	892,055	892,055
Obligations under capital leases (Note 7)				106,857	106,857	106,857
<b>Total liabilities</b>	<b>5,402,805</b>	<b>366,566</b>		<b>1,238,162</b>	<b>7,007,533</b>	<b>7,430,253</b>
<b>COMMITMENTS AND CONTINGENCIES (Notes 8 and 10)</b>						
<b>FUND BALANCES</b>						
Unrestricted						
Allocated for designated purposes				1,256,031	1,256,031	1,256,031
Available for general purposes	2,932,067			96,261	3,028,328	3,322,816
Designated for Maine Quality Centers (Note 14)	2,130,726				2,130,726	2,130,726
Restricted						
Net investment in plant		693,671	\$ 918,408	57,277,113	1,612,079	1,631,096
<b>Total fund balances</b>	<b>5,062,793</b>	<b>693,671</b>	<b>918,408</b>	<b>58,629,405</b>	<b>65,304,277</b>	<b>65,700,471</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,465,598</b>	<b>\$ 1,060,237</b>	<b>\$ 918,408</b>	<b>\$ 59,867,567</b>	<b>\$ 72,311,810</b>	<b>\$ 73,130,724</b>

The accompanying notes are an integral part  
of the combined financial statements.



**MAINE TECHNICAL COLLEGE SYSTEM  
COMBINED STATEMENT OF CHANGES IN FUND BALANCES  
for the year ended June 30, 1996**

	Maine Technical College System					Memorandum Total
	Current Unrestricted	Current Restricted	Endowment Funds	Plant Funds	Memorandum Total	
Revenues and other additions:						
Educational and general	\$ 42,116,810	\$ 7,553,901			\$ 49,670,711	\$ 54,109,379
Auxiliary enterprises	4,427,259		\$ 100,000	\$ 435,560	4,427,259	4,427,259
Private gifts		59,896	4,386		535,560	535,560
Investment income - restricted		517			64,282	69,808
Realized gains					517	517
Expended for plant facilities (including \$1,291,154 and \$22,051 charged to current funds for MTCs and MCA, respectively)				4,732,585	4,732,585	4,754,636
Retirement of indebtedness				222,700	222,700	222,700
Proceeds from state				2,799,360	2,799,360	2,799,360
Other additions	11,891	(304)		26,985	38,572	38,572
<b>Total revenue and other additions</b>	<b>46,555,960</b>	<b>7,614,010</b>	<b>104,386</b>	<b>8,217,190</b>	<b>62,491,546</b>	<b>66,957,791</b>
Expenditures and other deductions:						
Educational and general	42,561,335	8,177,815			50,739,150	54,543,063
Auxiliary enterprises	3,942,572			76,926	3,942,572	3,942,572
Interest on indebtedness				211,267	211,267	211,267
Retirement of indebtedness				3,441,431	3,441,431	3,441,431
Expended for plant facilities				60,328	60,328	60,328
Disposals and write-off of plant facilities				4,062,669	4,062,669	4,085,455
Depreciation of fixed assets		65,060			65,060	65,060
Refunded to grantors						
<b>Total expenditures and other deductions</b>	<b>46,503,907</b>	<b>8,242,875</b>		<b>7,852,621</b>	<b>62,599,403</b>	<b>66,426,102</b>
Transfers:						
Mandatory transfers:						
Principal and interest	(241,523)			241,523		
Other non-mandatory transfers:						
Operating transfer from component unit	90,000	688,374		171	778,545	(778,545)
From current unrestricted to plant	(179,225)			179,225		
From current restricted to current unrestricted	2,985	(2,985)				
<b>Total transfers among funds</b>	<b>(327,763)</b>	<b>685,389</b>		<b>420,919</b>	<b>778,545</b>	<b>(778,545)</b>
<b>Net (decrease) increase in fund balances</b>	<b>(275,710)</b>	<b>56,524</b>	<b>104,386</b>	<b>785,488</b>	<b>670,688</b>	<b>531,689</b>
Fund balances, June 30, 1995, as restated (Note 2)	5,338,503	637,147	814,022	57,843,917	64,633,589	65,168,782
<b>Fund balances, June 30, 1996</b>	<b>\$ 5,062,793</b>	<b>\$ 693,671</b>	<b>\$ 918,408</b>	<b>\$ 58,629,405</b>	<b>\$ 65,304,277</b>	<b>\$ 65,700,471</b>

The accompanying notes are an integral part of the combined financial statements.

**MAINE TECHNICAL COLLEGE SYSTEM**  
**COMBINED STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES**  
for the year ended June 30, 1996

	Maine Technical College System			Maine Career Advantage	Memorandum Total
	Current Unrestricted	Current Restricted	Memorandum Total		
<b>Revenues:</b>					
Educational and general:					
Student charges	\$ 11,339,745	\$ 108,022	\$ 11,447,767	\$ 2,740	\$ 11,450,507
State appropriations (Note 14)	27,450,504		27,450,504	1,000,000	28,450,504
Private gifts and grants	943,323	359,972	1,303,295	982,049	2,285,344
Government grants	571,472	6,946,959	7,518,431	2,453,447	9,971,878
Other income	1,811,766	74,488	1,886,254	5,958	1,892,212
Total educational and general	42,116,810	7,489,441	49,606,251	4,444,194	54,050,445
Auxiliary enterprises	4,427,259		4,427,259		4,427,259
Other additions	11,891		11,891		11,891
Total revenues	46,555,960	7,489,441	54,045,401	4,444,194	58,489,595
<b>Expenditures and mandatory transfers:</b>					
Educational and general:					
Instruction	21,378,698	1,130,852	22,509,550		22,509,550
Public services	358,063	103,926	461,989	65,871	527,860
Academic support	3,559,300	1,950,570	5,509,870	3,120,183	8,630,053
Student services	3,002,673	1,270,354	4,273,027		4,273,027
Institutional support	8,399,400	118,334	8,517,734	617,859	9,135,593
Operations and maintenance	5,204,085	3,603,779	8,807,864		8,807,864
Student aid	659,116	8,177,815	8,836,931		8,836,931
Total educational and general expenditures	42,561,335	8,177,815	50,739,150	3,803,913	54,543,063
Mandatory transfer-principal and interest	241,523		241,523		241,523
Total educational and general expenditures and mandatory transfers	42,802,858	8,177,815	50,980,673	3,803,913	54,784,586
<b>Auxiliary enterprises:</b>					
Total auxiliary enterprises	3,942,572		3,942,572		3,942,572
Total expenditures and mandatory transfers	46,745,430	8,177,815	54,923,245	3,803,913	58,727,158
<b>Other non-mandatory transfers and additions (deductions):</b>					
Excess of restricted receipts over transfers to revenue		124,569	124,569		124,569
Operating transfer from component unit	90,000	688,374	778,374	(778,374)	
Transfer to plant	(179,225)		(179,225)		(179,225)
Transfer to current unrestricted	2,985	(2,985)			
Refunded to grantors		(65,060)	(65,060)		(65,060)
Net (decrease) increase in fund balances	(275,710)	56,524	(219,186)	(138,093)	(357,279)
Fund balance, beginning of year	5,338,503	637,147	5,975,650	451,598	6,427,248
Fund balance, end of year	5,062,793	693,671	5,756,464	313,505	6,069,969

The accompanying notes are an integral part  
of the combined financial statements.

**MAINE TECHNICAL COLLEGE SYSTEM**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 1996**

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**1. Summary of Significant Accounting Policies:**

The significant accounting policies followed by the Maine Technical College System (the MTCS) are set forth below.

**Basis of Presentation**

The Maine Technical College System is Maine's primary provider of post-secondary technical education leading to the certificate, diploma, or associate degree. The combined financial statements of MTCS include the activity of its seven colleges, the central administrative office, and the Maine Career Advantage (MCA). MCA is a two year program which involves rotation between school and work experience. The financial statements of the MTCS include MCA as a component unit based on common control and economic beneficial interest in that entity. MCA is reported in a separate column to emphasize that it is legally separate from the MTCS.

The MTCS has also been included in the combined financial statements of the State of Maine (the State) as a discretely presented component unit. This financial reporting is based primarily on the State's appointment of the MTCS Board of Trustees, the level of revenues derived from state appropriations and the ability of the State to influence the operational decisions of the MTCS.

In compliance with Governmental Accounting Standards Board (GASB) Statement No. 15, the MTCS's financial statements are prepared in accordance with the American Institute of Certified Public Accountants (AICPA) College Guide model.

The combined financial statements of the MTCS have been prepared on the accrual basis in accordance with the principles of fund accounting, whereby resources are segregated into funds in accordance with limitations and restrictions placed on their use.

The combined balance sheet is a statement of the MTCS's financial position at the end of the fiscal year. It details the assets, liabilities and fund balances of the separate fund groups. Within each fund group, the various individual funds are combined on the basis of similar characteristics.

The combined statement of changes in fund balances sets forth all revenues and other additions, expenditures and other deductions and transfers among funds for each of the fund groups.

**MAINE TECHNICAL COLLEGE SYSTEM**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 1996**

**1. Summary of Significant Accounting Policies, Continued:**

Basis of Presentation, Continued

The combined statement of current fund revenues, expenditures and other changes is a statement of financial transactions that occurred during the fiscal year. It presents the detail of current unrestricted and restricted fund revenues by source and expenditures and transfers by function. Restricted revenues are only reported in this statement as resources used to meet operating expenses when the expenses associated with these resources are incurred. This statement does not purport to present the results of operations or the net earnings or loss for the period as would an earnings statement. Instead, the net increase or decrease shown on the statement represents the change in fund balances resulting from current fund revenues, expenditures and other changes for the fiscal year.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available to the MTCS, the accounts of the MTCS are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds which may be used for activities or objectives specified.

Each fund is a self-balancing set of accounts for recording assets, liabilities, fund balances and changes in fund balances. Separate accounts are maintained for each fund to ensure that the MTCS abides by the limitations and restrictions placed on the use of available resources by external parties and the Board of Trustees.

Current Funds

Current unrestricted funds, derived from educational and general operations of the MTCS and from appropriations, may be used at the discretion of the Board of Trustees or their designees to meet all expenditures for the MTCS. Current designated funds are unrestricted funds for which the Board of Trustees or administration stipulates a specific use, thereby designating them for that purpose. However, the Board of Trustees may at any time redesignate the funds for other use. Current restricted funds, derived from appropriations or grants, may be used only to meet current expenditures for the purposes specifically identified by the sponsoring agencies.

Continued

**MAINE TECHNICAL COLLEGE SYSTEM**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 1996**

**1. Summary of Significant Accounting Policies, Continued:**

Endowment Funds

Endowment funds consist of funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income which is to be expended for the purposes specified by the donor. Individual endowment funds are invested on a pooled basis. Total endowment investment yield received for the year is distributed to fund accounts, in accordance with the terms or restrictions of the individual fund.

Plant Funds

Plant funds, derived from appropriations and the MTCS funds so designated by the Board of Trustees, may be used to meet expenditures for construction of additional facilities, major renovations and retirement of indebtedness arising therefrom. Designated funds are unrestricted funds for which the Board of Trustees or administration stipulates a specific use, thereby designating them for that purpose. However, the Board of Trustees may at any time redesignate the funds for other use.

Land, buildings, equipment and fixtures are stated at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Fixed assets acquired with plant funds, library books and certain periodicals and certain equipment acquired with current funds, are capitalized. Expenditures for maintenance and repairs are expensed as incurred. Upon sale or retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of changes in fund balances. Assets are depreciated on a straight line basis according to the following estimated useful lives:

Buildings	40 years
Improvements	10 years
Furniture and equipment	5 - 10 years
Library books	5 years
Assets under capital leases	5 years

Continued

**MAINE TECHNICAL COLLEGE SYSTEM**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 1996**

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**1. Summary of Significant Accounting Policies, Continued:**

Cash Equivalents

Cash equivalents are carried at cost and consist principally of money market funds and other pooled funds with maturities of three months or less; all interest income arising from these investments is accounted for in the fund which owns the assets.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market and consist primarily of bookstore and food inventories.

Revenue Recognition

Gifts of securities and other non-cash assets are recorded at fair market value at the date of donation.

Deferred revenue consists of unrestricted student fees related predominately to future fiscal years.

Tax Status

The Maine Technical College System and Maine Career Advantage are exempt from income taxes under the Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities, as well as the reported amounts of revenues and expenses. These estimates include the valuation of investments. Actual results could differ from the estimates included in the financial statements.

**MAINE TECHNICAL COLLEGE SYSTEM  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 1996**

**2. Restatement of Prior Year Fund Balance:**

During fiscal year 1995, the MTCS received an initial transfer of funds from the state of Maine to develop the Maine Quality Centers (MQC) (Note 14). At the end of that fiscal year, approximately \$2,130,000 of the funds had not yet been expended. Because the MTCS was required to expend the funds in activities related to the MQC and the MQC had contractual obligations to deliver education and training in future periods related to that balance, it was reported as deferred revenues as of June 30, 1995. Subsequently, ongoing funding of the MQC has been provided through annual state appropriations and the MQC has become an ongoing service provided by the MTCS. As a result of the subsequent funding, it was determined that the initial transfer of funds should be recognized upon receipt of the funds and therefore the following adjustment was required to be made to the previously reported fund balance.

	<u>Current Unrestricted</u>
Balance as originally reported	\$ 3,207,777
Prior period adjustment	<u>2,130,726</u>
Balance as restated	<u>\$ 5,338,503</u>

**3. Cash and Cash Equivalents:**

The carrying amount, which represents both cost and market value, of cash and cash equivalents for the MTCS and MCA at June 30, 1996, are presented below:

Cash in bank	\$ 107,658
Outstanding checks	(1,707,714)
State of Maine Investment Pool	4,011,492
Fleet Bank Investment Account	<u>179,187</u>
	<u>\$ 2,590,623</u>

Bank account balances are subject to depository insurance and the Fleet Bank Investment Management Account is collateralized by U.S. agency securities held by the financial institution in the name of the MTCS. The State of Maine Investment Pool is subject to certain investment restrictions which allow for only high-grade investments including selected commercial paper, U.S Treasury securities, U.S. agency securities, and bank C.D.'s.

**MAINE TECHNICAL COLLEGE SYSTEM  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 1996**

**4. Investments:**

The cost and market value of investments for the MTCS at June 30, 1996, are as follows:

	<u>Cost</u>	<u>Market</u>
Investment Management Account		
U.S. Government bonds	\$ 3,643,746	\$ 3,622,642
Federal Agency Bonds	400,219	391,308
Corporate bonds	1,400,444	1,356,384
Pass-throughs	316,626	312,882
Common stock	913,147	1,216,985
Short-term funds	330,995	330,995
Accrued income	76,895	76,895
	<u>7,082,072</u>	<u>7,308,091</u>
 Endowment Management Account		
U.S. Government bonds	174,920	174,805
Federal agency bonds	49,984	49,500
Corporate bonds	149,863	145,436
Pass-throughs	50,711	49,534
Common stock	511,652	686,343
Mutual funds - equity	45,035	58,735
Short-term funds	53,307	53,307
Accrued income	5,814	5,814
	<u>1,041,286</u>	<u>1,223,474</u>
 Total Management Account Investments	<u>8,123,358</u>	<u>8,531,565</u>
 Other investments	<u>22,854</u>	<u>22,854</u>
 Total investments at June 30, 1996	<u>\$ 8,146,212</u>	<u>\$ 8,554,419</u>

The investments of the MTCS consist of two pooled investment accounts with Fleet Investment Advisors, which include certain agency funds with a carrying amount of \$49,210 and a market value of \$61,333 at June 30, 1996.

Continued



**MAINE TECHNICAL COLLEGE SYSTEM  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 1996**

**5. Fixed Assets:**

A summary of fixed assets at June 30, 1996, is as follows:

Land	\$ 1,172,952
Buildings	62,407,912
Improvements	9,688,418
Furniture and equipment	23,237,528
Library books and periodicals	2,080,946
Assets under capital leases	325,487
Construction in process	<u>2,544,716</u>
	101,457,959
Less accumulated depreciation	<u>(42,937,568)</u>
	<u><u>\$ 58,520,391</u></u>

**6. Bonds Payable - Plant Funds:**

Bonds payable consist of the following at June 30, 1996:

Series 1967 Debt Service Bonds, \$491,000 face value, payable annually to the State of Maine with interest at 3.36%, serial bonds maturing through 1997	\$ 27,280
Series 1968 Debt Service Bonds, \$1,081,000 face value, payable annually to the State of Maine with interest at 4.25%, serial bonds maturing through 1998	124,775
Series 1980 Debt Service Bonds, \$2,100,000 face value, payable annually to the State of Maine with interest at 8.16%, serial bonds maturing through 2005	<u>740,000</u>
Total bonds payable	<u><u>\$ 892,055</u></u>

The bonds are collateralized by the dormitories and dining facilities constructed with the bond proceeds.

The original face values and balances due at June 30, 1996, for the series 1967 and series 1968 debt services bonds are based on state allocations of the total original bond proceeds between the MTCS and the University of Maine System.

Principal payments of long-term debt are as follows:

1997	\$ 172,655
1998	149,400
1999	85,000
2000	85,000
2001	85,000
Thereafter	<u>315,000</u>
	<u><u>\$ 892,055</u></u>

Continued

**MAINE TECHNICAL COLLEGE SYSTEM**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 1996**

**7. Obligations under Capital Leases:**

The MTCS leases a printing press under a capital lease arrangement, which expires during fiscal 1997. In addition, during fiscal 1996, the MTCS entered into a capital lease for copying machines which expires in fiscal 2001. Scheduled capital lease payments for the year ending June 30, 1997, are approximately \$55,000, of which approximately \$5,100 represents interest.

**8. Retirement Plans:**

Substantially all employees of the MTCS participate in the Maine State Retirement System (MSRS), a cost sharing, multiple employer public retirement system. Certain employees participate in an optional program with the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). MSRS is a defined benefit plan and the TIAA-CREF program is a defined contribution plan.

Participants in MSRS who retire at age 60 (62 if less than 10 years creditable service on July 1, 1993) with 10 years of credited services, or after completion of 25 years of credited service, regardless of age, are entitled to an annual benefit, payable monthly for life. Service retirement benefits are calculated at a percentage of a participant's average final compensation multiplied by years of service plus a percentage of the November 1984 salary for the position held at retirement. The benefit is reduced for retirement before age 60 if at least 10 years of creditable service on July 1, 1993; reduced before age 62 if less than 10 years creditable service on July 1, 1993.

Total contributions to MSRS for the MTCS in fiscal 1996 were approximately \$6,132,103, which consisted of approximately \$4,558,880 of employer contributions and \$1,573,223 from employees. The MTCS contributions ranged from 13.40% to 25.35% of salaries and wages for covered employees, depending upon employee classification. The standard employee contribution under MSRS for fiscal 1996 was 7.65% of earned compensation as required by law, with the exception of certain employee classifications whereby MTCS funds a portion of the employee contribution requirement.

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefit, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. MSRS does not make separate measurements of assets and the pension benefit obligation for individual employers. The pension benefit obligation at June 30, 1995, (the most recent valuation date) for MSRS as a whole determined through an actuarial valuation performed as of that date, was approximately \$5,687,257,785. MSRS net assets available for benefits on that date were approximately \$2,750,552,177.

**MAINE TECHNICAL COLLEGE SYSTEM**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 1996**

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**8. Retirement Plans, Continued:**

As previously noted, some employees participate in the optional TIAA-CREF programs, which are defined contribution plans. In defined contribution plans, benefits depend solely on amounts contributed plus investment earnings. Only employees of a certain classification are eligible to participate and those employees are eligible as of their date of employment. The MTCS contributes 12.88% of total salaries for participating employees. The MTCS contribution is funded as it accrues and, along with that of the employee, is immediately and fully vested. The contribution for 1996, was approximately \$185,000 from the MTCS. The MTCS's total salaries and wages for fiscal year 1996 were approximately \$26,400,000. Total salaries and wages during 1996 for covered employees participating in MSRS and TIAA-CREF were approximately \$22,630,487 and \$1,433,469, respectively.

**9. Agency Funds:**

Agency Funds are monies held by an institution acting as custodian or fiscal agent. The funds are deposited with the institution for safekeeping, to be used or withdrawn by the depositor at will. As of June 30, 1996, the MTCS held assets totaling \$498,594, consisting primarily of Student Union Activity Funds, which are not reflected on the accompanying balance sheet.

**10. Commitments and Contingencies:**

In 1989 the MTCS changed from self-insurance to a commercial insurance policy for workers' compensation claims. The MTCS reflects claims which were incurred while self-insured in the financial statements when paid. Total payments on these claims during the year ended June 30, 1996, were approximately \$185,934. Payments related to these self-insured claims are reimbursed through state appropriations, therefore no reserve is reflected in the financial statements for the related contingency as of June 30, 1996. The contingency for estimated unpaid workers' compensation claims at June 30, 1996, was approximately \$714,800.

**11. Bonds Authorized:**

In November 1994, the State of Maine general purpose bond issue was authorized in the amount of \$5,000,000 to finance training equipment purchases at all campuses of the MTCS. This bond requires that MTCS provide matching funds of \$1,500,000. Through June 30, 1996, the MTCS has spent approximately \$3,379,000 on training equipment.

**MAINE TECHNICAL COLLEGE SYSTEM  
NOTES TO COMBINED FINANCIAL STATEMENTS  
June 30, 1996**

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**11. Bonds Authorized, Continued:**

In November 1989, a State of Maine general purpose bond issue was authorized in the amount of \$20,210,600 to finance a campus development planning study and to make capital improvements at all campuses of the Maine Technical College System. Through June 30, 1996, the MTCS has spent approximately \$20,198,000 on planning studies and actual construction activities. The MTCS will not be required by the State of Maine to assume the bond liability when activities are complete.

**12. Due from State:**

Under Public Law 1991, Chapter 780, the State of Maine deferred the June 1993 payment to the Maine Technical College System in the amount of \$1,905,731. As a result of the State acknowledging its obligation under Public Law, Chapter 410 and its reappropriation of \$320,000 towards its payment in fiscal 1997, it is expected that the State will continue to make payments upon the deferred amount to the MTCS in annual increments of approximately \$320,000 over a six-year period, which began in fiscal 1995. While the State of Maine has not legally committed itself to make payment on this deferred obligation beyond its fiscal 1996-1997 biennium budget period, the MTCS has recognized the remaining receivable balance at June 30, 1996, of \$945,731 and the related state appropriation revenue was recognized in its fiscal 1993 financial statements.

**13. Subsequent Event:**

On October 1, 1996, the MTCS entered into a ten year operating lease arrangement commencing (retroactively) July 1, 1996, and ending June 30, 2006, for the current building in which the Systems Office is located. Scheduled lease payments approximate \$149,000 per annum, and shall be paid in equal monthly installments of approximately \$12,400.

**14. Maine Quality Centers:**

The Maine Quality Centers (MQC) is a program created to promote economic development by providing job specific workforce training and education for new and expanding businesses, and to promote new employment and career advancement opportunities for Maine people.

**MAINE TECHNICAL COLLEGE SYSTEM**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**June 30, 1996**

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**14. Maine Quality Centers, Continued:**

The MQC was created in fiscal year 1995 through an initial transfer of \$2.6 million from the available balance remaining in the State of Maine general fund at the end of fiscal 1994. Beginning in fiscal 1996, annual state appropriations have been provided to support the ongoing activities of the MQC.

As of June 30, 1996, approximately \$2,100,000 of state funding remains in fund balance. As of that date, the MQC has entered into contracts with various businesses which obligate the program to incur education and training expenses that approximate that fund balance in support of multi-year education and training projects which extend through fiscal 1997 and beyond.

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APPENDIX B

FORM OF  
SPECIAL COUNSEL OPINION

February \_\_, 1997

Fleet National Bank  
111 Westminster Street  
Providence, Rhode Island 02903-2305

ABN AMRO Chicago Corporation  
208 South LaSalle Street  
Chicago, Illinois 60604

Dear Ladies and Gentlemen:

We have examined the record of proceedings submitted to us relating to the sale, execution, and delivery of \$5,280,000 aggregate principal amount of Certificates of Participation dated January 1, 1997 (the "Certificates"). The Certificates represent the proportionate interests of the owners thereof in Lease Payments to be made by the Maine Technical College System (the "Lessee"), as the rental price for a classroom and administration building, associated infrastructure, and equipment to be constructed or acquired for use by the Lessee pursuant to a Lease Agreement (the "Lease Agreement") dated as of January 1, 1997, between the Lessee and ABN AMRO Chicago Corporation (the "Lessor"). We have also examined a Non-Arbitrage and Use of Proceeds Certificate of the Lessee dated the date hereof relating to certain Federal income tax matters (the "Tax Certificate") and such statutes, documents, opinions, records, and matters of law as we deem necessary for purposes of our opinion set forth below.

The scope of our engagement as Special Counsel extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of certain agreements relating to the financing of the Project (as defined in the Lease Agreement) and with respect to the exclusion from gross income for Federal income tax purposes and State of Maine personal income tax purposes of the portion of Basic Lease Payments (as defined in the Lease Agreement) designated and paid as interest

Fleet National Bank  
ABN AMRO Chicago Corporation  
February \_\_, 1997  
Page 2

under the Lease Agreement and received or accrued by the owners of the Certificates.

The Certificates are being executed, delivered, and secured, pursuant to a Trust Agreement (the "Trust Agreement") dated as of January 1, 1997, by and among the Lessee, the Lessor, and Fleet National Bank of Providence, Rhode Island (the "Trustee"). The Lease Agreement has been entered into by the Lessee for the purpose of leasing from the Lessor the Project. Except as otherwise provided therein, the Lease Agreement terminates on January 1, 2017, or at such earlier time as is set forth in the Lease Agreement or the Trust Agreement.

The Lessee is obligated under the Lease Agreement to make Basic Lease Payments (of which a portion is designated as interest) from funds held by it, including appropriated funds. Basic Lease Payments are due on January 1 and July 1 of each year, beginning July 1, 1997.

The Certificates are authorized to be executed and delivered in fully registered form, in the denomination of \$5,000 or any integral multiple thereof. The Certificates are dated January 1, 1997 and mature as set forth in the Trust Agreement.

The principal of and interest on the Certificates are payable in lawful money of the United States of America. The Certificates are subject to prepayment at the times and upon the terms and conditions set forth in the Certificates and in the Trust Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Certificates in order that the portion of the Basic Lease Payments paid and designated as interest under the Lease Agreement and received by the Certificate Holders (the "Interest Portion") be and remain excludable from the gross income of the recipients thereof for Federal income tax purposes pursuant to Section 103 of the Code. Noncompliance with such requirements may cause the Interest Portion to be included in the gross income of the owners thereof retroactive to the date of issuance of the Certificates, regardless of when such noncompliance occurs.

The Tax Certificate contains provisions and procedures regarding compliance with the requirements of the Code. The



Fleet National Bank  
ABN AMRO Chicago Corporation  
February \_\_, 1997  
Page 3

Lessee, in executing its Tax Certificate, has certified to the effect that the Lessee will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable in order to assure that the Interest Portion shall, for purposes of Federal income taxation, be excludable from the gross income of the recipients thereof pursuant to Section 103 of the Code.

Based on the foregoing and subject to the qualifications and limitations hereinafter specified, we are of the opinion, as of the date hereof, as follows:

1. The Lease Agreement has been duly authorized, executed, and delivered by the Lessee and it constitutes a valid and binding obligation of the Lessee, enforceable in accordance with its terms.

2. The Trust Agreement has been duly authorized, executed, and delivered by the Lessee and it constitutes a valid and binding obligation of the Lessee, enforceable in accordance with its terms.

3. The Certificates comply with, have been delivered in accordance with, and are substantially in the form set forth in the Trust Agreement.

4. Under existing statutes and court decisions, the Interest Portion is excludable from the gross income of the recipients thereof for Federal income tax purposes pursuant to Section 103 of the Code and such interest will not be treated as a preference item to be included in calculating alternative minimum taxable income under the Code with respect to individuals or corporations. Such interest also is exempt from the State of Maine income tax imposed on individuals under existing statutes.

In rendering the opinions in paragraph 4 above, we have assumed the accuracy of the factual certifications and continuing compliance by the Lessee with the provisions and procedures set forth in the Lease Agreement, the Trust Agreement, and the Tax Certificate.

For purposes of the opinions expressed in paragraphs 1 and 2 above, we have assumed the due authorization, execution, and

Fleet National Bank  
ABN AMRO Chicago Corporation  
February \_\_, 1997  
Page 4

delivery of the agreements referred to in such paragraphs by the parties thereto, other than the Lessee, and such opinions are qualified to the extent that enforcement of such agreements may be limited by bankruptcy, insolvency, moratorium, reorganization, or similar laws, now or hereafter enacted, relating to the enforcement of creditors' rights generally, and to the extent that enforceability of such agreements may be limited by the exercise of judicial discretion.

Very truly yours,

John E. Larouche, Esq.

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APPENDIX C

FORM OF  
ISSUER COUNSEL OPINION

February \_\_, 1997

Fleet National Bank  
111 Westminster Street  
Providence, Rhode Island 02903

ABN AMRO Chicago Corporation  
208 South LaSalle Street  
Chicago, Illinois 60604

Dear Ladies and Gentlemen:

Reference is made to the issuance of \$5,280,000 aggregate principal amount of Certificates of Participation, dated January 1, 1997 (the "Certificates"). The Certificates represent the proportionate interests of the owners thereof in basic lease payments to be made by the Maine Technical College System (the "Lessee") as the rental price for a classroom and administration building, associated infrastructure, and equipment to be constructed or acquired for use by the Lessee pursuant to a Lease Agreement (the "Lease Agreement") dated as of January 1, 1997, between the Lessee and ABN AMRO Chicago Corporation (the "Lessor").

As Issuer Counsel to the Lessee, I have reviewed or supervised the preparation or review of the Lease Agreement and the Trust Agreement (hereinafter defined) and such other documents, records, certificates, and matters of law as I have deemed necessary for purposes of this opinion. The Certificates are being executed, delivered, and secured pursuant to a Trust Agreement (the "Trust Agreement") dated as of January 1, 1997, by and among the Lessee, the Lessor, and Fleet National Bank of Providence, Rhode Island, (the "Trustee").

Based upon the foregoing, I am of the opinion that:

1. The Lease Agreement has been duly authorized, executed,

and delivered by the Lessee and it constitutes a valid and binding obligation of the Lessee, enforceable in accordance with its terms.

2. The Trust Agreement has been duly authorized, executed, and delivered by the Lessee and it constitutes a valid and binding obligation of the Lessee, enforceable in accordance with its terms.

3. The Lessee is a body corporate and politic and a public instrumentality of the State of Maine (the "State").

4. The exercise of the powers conferred upon the Lessee by State statute are deemed and held to be the performance of essential governmental functions.

5. The Lessee is authorized to execute and deliver the Lease Agreement, the Trust Agreement, the Official Statement (hereinafter defined), and the other documents associated therewith, to deliver the Certificates, and to take all actions contemplated by the Lease Agreement, the Trust Agreement, the Certificates, and the other documents associated therewith. The entering into of such agreements, the delivery of such certificates and documents, and the taking of such actions are not in contravention of the Constitution or the laws of the State of Maine.

6. The statements contained in the Official Statement dated January 27, 1997 relating to the Certificates including the cover page thereof and the Appendices thereto (the "Official Statement"), under the captions "Introduction," "The Lessee and the Project," "Estimated Sources and Uses of Funds," "The Certificates of Participation" (except for the information under the caption "Book-Entry Only System"), "Source of Payment for the Certificates," "Prior Indebtedness," "Issuance of Additional Indebtedness," "Security for the Certificates," "Summary of the Lease Agreement and the Trust Agreement," "Risk Factors," "Litigation," "Tax Matters," "Continuing Disclosure Agreement," and "Miscellaneous" present fair and accurate summaries of the Lease Agreement, the Certificates, and the Trust Agreement for the purpose of use in the Official Statement, and present fair and accurate descriptions of the Lessee and the Project, except

Fleet National Bank  
ABN AMRO Chicago Corporation  
February \_\_, 1997  
Page 3

that no opinion is expressed with respect to any financial or statistical data included in any of the foregoing.

7. The information pertaining to the State, the Lessee, the Lease Agreement, the Certificates, and the Trust Agreement contained in the Official Statement is correct and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

8. Use of the proceeds of the Certificates for the purposes contemplated by the Official Statement constitutes use for an essential governmental purpose and is authorized by law.

9. To the best of my knowledge, after due inquiry (a) there is no litigation pending or threatened against the Lessee affecting the validity of the Lease Agreement, the Trust Agreement, or the Certificates; (b) the execution, delivery, and performance by the Lessee of the Lease Agreement and the Trust Agreement will not violate any provision of the Constitution, statutes, or other laws of the State or any judgment, order, or regulation of any court or of any public or governmental agency or authority of the State and will not conflict with or result in any breach of any of the provisions of, or constitute default under, any agreement or instrument to which the Lessee is a party or by which it or any of its property is or may be bound, nor will such action result in any violation of the provisions of any statute, order, rule, or regulation applicable to the Lessee of any court or any Federal, State, or other regulatory authority or other governmental body; and (c), subject to appropriations being made from time to time by the State Legislature to pay the cost and expense of the performance of Lessee's obligations under the Lease Agreement, no further approval, consent, or withholding of objections is required from any Federal, State, or local governmental authority with respect to the entering into or performance by the Lessee of the Lease Agreement and the transactions contemplated thereby.

For purposes of the opinions expressed above, I have assumed the due authorization, execution, and delivery of the Lease Agreement

Fleet National Bank  
ABN AMRO Chicago Corporation  
February \_\_, 1997  
Page 4

and the Trust Agreement by the parties thereto, other than the Lessee, and such opinions are qualified to the extent that enforcement of the Lease Agreement and the Trust Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting creditors' rights generally and to the extent that enforceability of the Lease Agreement and the Trust Agreement may be limited by the exercise of judicial discretion.

Sincerely,

John E. Larouche, Esq.

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APPENDIX D

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**FINANCIAL GUARANTY INSURANCE POLICY**

**MBIA Insurance Corporation  
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest:

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Assistant Secretary

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