Agenda Summary
April 29, 2026

Agenda Item No. A-6
Stowe Electric Capital Equipment Note Approval

Summary: Stowe Electric and the SED Board of Commissioners are requesting approval from the Selectboard for to borrow $240,204.12 at 4.5% for five years through Union Bank to finance the purchase of an excavator, chipper, truck with chipper body, and all-terrain vehicle (ATV) as approved in the 2026 SED capital plan. This loan will be paid for using Stowe Electric Department revenues. See enclosed memo from SED GM Jackie Pratt.

Town Plan & Policy Impact: N/A

Financial and HR Impact: Loan is paid by SED revenues.

Recommendation: Having seen and reviewed the Resolution and Certificate related to the financing of certain equipment for Stowe Electric Department (and payable from the net revenues of the Department), in connection with a Capital Expense Note for $240,204.12 in favor of Union Bank, and other ancillary documents, move the adoption and approval of the Resolution and Certificate as presented.

Stowe Electric Department
PO Box 190
435 Moscow Rd
Stowe, VT 05672
802-253-7215
www.StoweElectric.com

To: Stowe Selectboard
From: J. Pratt, General Manager; S. Juzek, Director of Finance
Date: April 23, 2026

Subject: Equipment Loan

Stowe Electric and the SED Board of Commissioners are requesting approval from the Selectboard for to borrow $240,204.12 at 4.5% for five years through Union Bank to finance the purchase of an excavator, chipper, truck with chipper body, and all-terrain vehicle (ATV) as approved in the 2026 SED capital plan. This loan will be paid for using Stowe Electric Department revenues.

Under normal municipal law, borrowing follows V.S.A Title 24. However, municipal electric departments also follow V.S.A. Tile 30, Section 108. Legislation was passed in 2019 under Act 81 to amend Section 108, establishing rules for instances of debt issuance where a municipal electric utility would not be required to go to the PUC and voters for approval as shown in 24 V.S.A. § 1822(a)(5)(d):

> *Notwithstanding the provisions of subsection (b) of this section, the legislative branch of a municipal corporation owning a municipal plant as defined in 30 V.S.A. § 2901 may authorize by resolution the issuance of bonds in an amount not to exceed 50 percent of the total assets of said municipal plant without the need for voter approval. Nothing in this subsection shall be interpreted as eliminating the requirement for approval from the Public Utility Commission pursuant to 30 V.S.A. § 108, where applicable.*

Per Act No. 81, "An act relating to municipal utility capital investment," the regulatory borrowing thresholds are:

- The previous 12 months of loan payments, including the proposed, cannot exceed 20% of the total assets.
- The total amount of debt cannot exceed 50% of the total assets after the proposed loans.

SED's Debt Ratios fall well within the parameters of Act No. 81, including the proposed equipment loan. The Town of Stowe Charter also includes language regarding lending for the Electric Department under 24 App. V.S.A. ch. 153, § 1101 section (j):

> The Town of Stowe Electric Department shall operate under the statutory authority and requirements of 30 V.S.A. chapter 79 relating to municipal electric plants, and 24 V.S.A. chapter 53 relating to municipal indebtedness, all of which control the financing, improvements, expansion, and disposal of the municipal electric plant and its operations. With specific reference to the legislative authorization contained in 24 V.S.A. chapter 53, subchapter 2, "Indebtedness for Public Utility Purposes," sections 1821-1828, the Electric Commission is permitted to issue revenue-backed bonds and/or general obligation bonds for any capital improvement purpose related to their responsibilities to operate such utilities for the benefit of the people of Stowe, provided each such issue of bonds is approved by the Selectboard and the voters according to law.

Debt issuance for the purchase of this equipment using a revenue-backed loan requires approval of both the Stowe Electric Commission (unanimously approved at the Commission's March 31, 2026 meeting) as well as the Town of Stowe Selectboard.

The draft loan paperwork (attached) has been vetted by Town Counsel. The Stowe Electric Commission will sign the final version of this document at their April 28, 2026, meeting. The signed loan agreement will then be provided to Selectboard for approval and signature at their April 29, 2026, meeting. SED anticipates taking delivery of all equipment financed through this loan by the end of May 2026.

RESOLUTION AND CERTIFICATE
REVENUE DEBT BORROWING
CAPITAL ASSET ACQUISITION (MISCELLANEOUS EQUIPMENT)
FOR THE BENEFIT OF STOWE ELECTRIC DEPARTMENT

WHEREAS, at a duly called and warned meeting of the Electric Commission (the "**Commission**") of the Town of Stowe Electric Department (the "**Department**") held April 28, 2026, at which a quorum of the Commission was present and voting, the Commission determined that acquisition of (1) an excavator, (2) a chipper, a (3) chipper truck with body, and (4) an ATV (collectively, the "**Equipment**") are necessary to carry out the essential governmental services of the Department; and

WHEREAS the current and reasonably expected revenues of the Department are not sufficient to pay in full the cost to acquire and equip the Equipment, which is estimated to be an aggregate cost of Two Hundred Forty Thousand Two Hundred Four and 12/100 Dollars ($240,204.12) (the "**Project**"), upon their delivery; and

WHEREAS, the Union Bank (the "**Bank**") has agreed to finance the Project over a term of five (5) years, payable quarterly from the net revenues of the Department with the first such payment being due and payable July 30, 2026, and accruing interest at a rate of 4.50% per annum (the "**Borrowing**"), as detailed in the Capital Expense Note dated April 30, 2026, and identified as #5701006069, as attached hereto as <u>Exhibit A</u> (the "**Note**"); and

WHEREAS, approval of the Selectboard is required for the Borrowing and the Selectboard may only give its approval if the Borrowing, together with all other indebtedness of the Department payable solely from the operating revenues of the Department and for which the full faith and credit of the Town has <u>not</u> been pledged, is not in excess of fifty percent (50%) of the total assets of the Department at the time of the Borrowing; and

WHEREAS the Commission for itself and on behalf of the Department has by resolution adopted at its duly noticed and called meeting held April 28, 2026:

1. Pledged and promised to the Town that the net revenues of the Department will be the sole and singular source of repayment of the Note, and that <u>no</u> pledge of the full faith and credit of the Town will be made to support or to repay all or any portion of the Borrowing; and

2. That the Borrowing, together with all other indebtedness of the Department payable from the net revenues of the Department and for which the full faith and credit of the Town has <u>not</u> been pledged does not exceed fifty percent (50%) of the total assets of the Department at the time of the Borrowing; and

3. That the Commission, for itself and on behalf of the Department understands and commits to honor and comply in all respects with the Note to be executed and delivered by the Selectboard, Department and the Treasurer, this Resolution and Certificate (this "**Resolution**"), and the Tax Certificate, as attached hereto as <u>Exhibit B</u> (the "**Certificate**") (the Note, this Resolution and the Certificate being collectively the "**Bank Documents**") required by the Bank to

be certified by the Selectboard, as if each had been executed, adopted or made by the Commission and Department; and

4. Covenanted that during the time the Note remains extant the Department will use the proceeds of the Note and conduct its business and affairs in strict compliance with the provisions of the Bank Documents and represents and warrants to the Selectboard and the Town that the assertions and representations in the Bank Documents required to be made by the Town are true and accurate with respect to the Department; and

NOW THEREFORE BE IT FURTHER RESOLVED that the Selectboard adopts, confirms, and authorizes the execution and delivery of the Note, and adopts and agrees to be bound by the Certificate, each in substantially the form attached hereto and presented to the Selectboard at its meeting on April 29, 2026, and such other documents as may reasonably be required by the Bank to document the loan; and

BE IT FURTHER RESOLVED that the Treasurer is hereby requested to sign the Note and such other documents as may reasonably be required by the Bank to document the loan; and

BE IT FURTHER RESOLVED that the Note when issued and delivered pursuant to this Resolution shall be a valid and binding obligation of the Town and of the Department, payable according to the terms and tenor thereof solely from the net revenues (as defined in Subchapter 2, Chapter 53 of Title 24 of the Vermont Statutes Annotated) derived from the operations of the Department, and the full faith and credit of the Town is not pledged or obligated hereby and the same do not secure repayment of the Note;

BE IT FURTHER RESOLVED that all acts and things previously done by lawfully constituted officers of the Department and the Town, and of the Commission and the Selectboard in, about or concerning the expenditure of the proceeds of the Note are ratified and confirmed; and

BE IT FURTHER RESOLVED that the undersigned Selectboard members, by adopting, and the Selectboard members and Treasurer by signing, this Resolution hereby certify as follows:

We are, respectively, the duly elected Selectboard members of the Town of Stowe and its duly appointed Treasurer, that the Note is issued pursuant to our lawful authority, that no proceeding related to the issuance or delivery of the Note has been taken other than as shown in the forgoing recitals, that neither our authority nor any of our actions have been amended or repealed, and that we are not aware of any litigation threatened or now pending in any federal or state court of competent jurisdiction seeking to enjoin the issuance of the Note or the expenditures being financed, affecting the validity of the corporate existence of the Town or the respective titles of any of us to our offices;

We further certify to and covenant with the Bank, its successors and assigns, including specifically any transferees, assignees, holders and owners of the Note that:

1. No Note proceeds (including investment proceeds thereof) will be used (directly or indirectly) in any trade or business carried on by any person other than the

Department nor used to make or finance any loan to any person;

2. The Town will file when and as required with the Treasury Department or Internal Revenue Service information returns relating to the issuance of the Note and other debt obligations of the Town;

3. The Town, by and through the Department, will comply with, perform, maintain and keep each and every covenant, representation, certification and undertaking in the Certificate, the adoption of which is evidenced hereby; and

4. The interest charged to, and payable by, the Town under the Note could be recalculated to the date of issue and paid to the holder in any one of the following events:

    a. It shall be reasonably determined by tax counsel for the Bank that the interest paid under said Note, or any part thereof, is includable in the gross income of the holder thereof for federal income tax purposes.

    b. There shall be a material breach by the Town of any covenant set forth in paragraphs 1-3 above.

Dated: April 29, 2026

TOWN OF STOWE SELECTBOARD

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Ethan Carlson, Chair

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Francis “Paco” Aumand

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Jo Sabel Courtney

____
Nicholas Donza

____
Beth Gadbois

ATTEST:

____
Penny Davis
Town Clerk & Treasurer

EXHIBIT A

Capital Expense Note

$240,204.12 #5701006069

CAPITAL EXPENSE NOTE
TOWN OF STOWE ELECTRIC DEPARTMENT
STOWE, VERMONT
APRIL 30, 2026

FOR VALUE RECEIVED, the Town of Stowe Electric Department (the “Borrower”), promises to pay to the order of the Union Bank or its registered assigns (the “Lender”) at its place of business in Morristown, Vermont the principal sum of Two Hundred Forty Thousand Two Hundred Four dollars and 12/100**Dollars $240,204.12 with interest at the rate of 4.50% per annum, calculated on an actual 365 day basis or, if applicable, 366 days set forth to mature on April 30, 2031.

We agree to pay quarterly payments of $10,212.01 plus accrued interest on the 30th day of each April, July, October and January beginning July 30, 2026, and continuing quarterly thereafter until April 30, 2031, when any unpaid principal balance and accrued interest shall be due and payable.

This Note is issued to defray the cost for the Borrower’s purchase of various equipment authorized by resolutions adopted by the Electric Commission of the Town of Stowe Electric Department and the Selectboard of Town of Stowe at meetings thereof duly noticed, called and held on April 28, 2026, and April 29, 2026, respectively.

The interest rate on this Note shall be subject to adjustment according to the following formula in the event there is a change in the Federal Corporate Tax Rate applicable to Union Bank with respect to a period during which the Note is outstanding. The purpose and intent of this formula is to maintain for Union Bank the same yield on the Note which was applicable immediately prior to such change in Federal Corporate Tax Rates.

$$R2 = R1\ (1+\{[T1-T2]/[1-T1]\})$$

Where R1 = the interest rate stated in this note
R2 = new adjusted interest rate
T1 = the corporate tax rate applicable to Union Bank in effect immediately prior to the change requiring an adjustment hereunder (such rate being 21% upon execution hereof)
T2 = the new corporate tax rate applicable to Union Bank

Demand, presentment for payment, protest and notice of protest hereof are waived.

Borrower may prepay this note in full or in part without premium or penalty.

It is hereby recited that all acts, conditions and things required to be done precedent to and in the issuing of this Note have been done, have happened, and have been performed in regular and due form, as required by law, and that the net revenues of the Borrower are hereby irrevocably pledged for payment of this Note as required by law.

Pursuant to and in accordance with Subchapter 2 of Chapter 53 of Title 24, this Note (i) shall be payable solely and exclusively from net revenues (as defined in said statute) derived from the operations of the Borrower and (ii) shall not constitute general indebtedness of the Borrower. Further, there is no, and shall not be any, obligation or liability upon the Town of Stowe to pay this Note from any funds of the Borrower other than such net revenues.

Purpose: For the purchase of (1) an excavator, (2) a chipper, a (3) chipper truck with body, and (4) an ATV

Dated this 30th day of April 2026.

TOWN OF STOWE ELECTRIC DEPARTMENT

____

Larry Lackey, Chair

____

Sarah Teachout, Vice Chair

____

Mark Gilkey

All or a Majority of Its Electric Commission

Attest:

__________________________ __________________________________

Penny Davis, Clerk — Penny Davis, Its Duly Authorized Treasurer

Dated this 30th day of April, 2026.

TOWN OF STOWE

____

Paco Aumand, Chair

____

Ethan Carlson, Vice Chair

____

Jo Sabel Courtney

____

Nick Donza

____

Beth Gadbois

All or a Majority of Its Selectboard

Attest:

__________________________	__________________________________
Penny Davis, Clerk	Penny Davis, Its Duly Authorized Treasurer

TOWN OF STOWE ELECTRIC DEPARTMENT
4.50% REGISTERED CAPITAL IMPROVEMENT
LOAN #5701006069
DATED APRIL 30, 2026
IN THE AMOUNT OF $240,204.12
DUE APRIL 30, 2031

CERTIFICATE OF REGISTRATION

It is hereby certified that the within note is hereby declared to be a fully registered bond with the principal and interest payable annually, and that such interest, as well as the principal, is payable to the registered holder thereof, its legal representatives, successors or assigns at the time and place expressed on the face of this Note.

The within Note is transferable only upon the books of the Treasurer of the Town of Stowe Electric Department upon presentation to the Treasurer with a written assignment duly acknowledged or proved.

Date of Registration: April 30, 2026

Name and Address of Registered Holder:
Union Bank
P.O. Box 667
Morrisville, VT 05661

TOWN OF STOWE ELECTRIC DEPARTMENT

By __________________________

Penny Davis
Treasurer/Transfer Agent

<u>EXHIBIT B</u>

Tax Certificate

TOWN OF STOWE ELECTRIC DEPARTMENT

<u>TAX CERTIFICATE</u>

CAPITAL EXPENSE NOTE

APRIL 30, 2026

We, the Treasurer and at least a majority of each of the Selectboard of the Town of Stowe (the "Municipality") and the Electric Commission of the Town of Stowe Electric Department (the "Issuer"), HEREBY CERTIFY and reasonably expect with respect to the issuance and the use of proceeds of the $240,204.12 Capital Expense Note (the "Municipal Bond") of the Issuer, dated April 30, 2026, as follows:

1. We are the officers of the Municipality and Issuer, duly charged and responsible for issuing the Municipal Bond. The certifications and expectations set forth in this document are being given pursuant to Sections 141 and 148 of the Internal Revenue Code of 1986, as amended, (the "Code"), and the Treasury Regulations promulgated thereunder.

2. The dates, maturities, denominations and rates of interest of the Municipal Bond are as shown on the copy thereof appended as Schedule A, and its issuance will be reported to the Internal Revenue Service on IRS Form 8038-G, a copy of which is attached as Schedule B.

3. The proceeds of the Municipal Bond will be used to provide funds for the purpose of financing equipment.

4. The Issuer will use the proceeds of the Municipal Bond within thirty (30) days of the date hereof to retire any obligations in the nature of short-term bond anticipation notes (the "Prior Obligations") which originally financed the equipment or to reimburse itself for equipment costs advanced under a duly adopted notice of official intent. The proceeds of the Municipal Bond may be invested in the interim at a yield in excess of the yield on the Municipal Bond. To the extent there remain any unspent proceeds of any Prior Obligations, any and all of such proceeds shall be invested at a yield not in excess of the yield on the Municipal Bond.

5. The proceeds of the sale of the Municipal Bond do not exceed the amount necessary to retire any Prior Obligations and to complete the purchase of equipment. The proceeds of the Municipal Bond will not be used to affect a tax increment financing loan or a tax assessment loan under Regulation Section 1.141-5 (c)(3) and (d).

6. The Issuer has entered into (or will enter into within six months from the date hereof or the issue date of any Prior Obligations, whichever is earlier) a binding commitment for the acquisition, construction or accomplishment of the purchase of equipment. The amount of such commitment(s) with respect to the equipment exceeds an amount equal to five percent (5%) of the greater of the Municipal Bond, any Prior Obligations, or the aggregate amount of obligations issued for the equipment. Work on the acquisition or accomplishment of the purchase of said equipment will proceed with due diligence to the completion thereof. The Municipal Bond proceeds will be invested temporarily and expended in compliance with the rebate requirements of Section 148(f) of the Code, so as to maintain the interest on the Municipal Bond excludable from the gross income of the recipient thereof.

7. The total proceeds received from the sale of the Municipal Bond and any Prior Obligations with respect to the equipment do not exceed the total cost of the equipment. All unexpended proceeds will be deposited and maintained in a segregated fund and not commingled with amounts from other sources such as state or federal grants-in-aid, municipal capital reserve funds or project appropriations, or private donations.

8. It is not expected that the equipment will be sold or otherwise disposed of in whole or in part. Public use of the equipment will continue for so long as the Municipal Bond remains outstanding. In the event an unanticipated change in private use or disposition of the equipment occurs, the Municipality and Issuer will undertake remediation measures under Regulation Section 1.141-12 at the earliest opportunity so as to preserve the tax exempt character of the Municipal Bond.

9. Principal of and interest on the Municipal Bond will be paid from net revenues of the Issuer. There are no private payments for the use of the equipment other than payments made by Issuer's ratepayers. The funds used to pay principal and interest on the Municipal Bond, if deposited into a segregated debt service fund, will be expended within thirteen (13) months of the date of deposit in such fund on the payment of debt service on the Municipal Bond. Any amounts received from the investment of such fund will be used to pay

debt service on the Municipal Bond within one (1) year of the date of receipt. The debt service fund, if any, will be used to achieve a proper matching of revenues with principal and interest payments within each bond year and will be depleted at least once each bond year except for a reasonable carryover amount not to exceed the greater of (i) the earnings on the fund for the immediately preceding bond year or (ii) one-half of principal and interest payments on the issue for the immediately preceding bond year. Amounts deposited into such a debt service fund, if any, may be invested at a yield in excess of the yield on the Municipal Bond.

10. Except for the debt service fund described herein, if any, the Municipality (or the Issuer) has not created or established, and does not expect to create or establish, any sinking fund or other similar fund which the Municipality (or the Issuer) reasonably expects to use to pay principal or interest on the Municipal Bond, or from which there is a reasonable assurance that amounts therein will be available to pay debt service on the Municipal Bond.

11. No portion of the proceeds of the Municipal Bond will be invested, directly or indirectly, in federally insured deposits or accounts other than (a) investments of unexpended Municipal Bond proceeds for an initial temporary period until the proceeds are needed for the purchase of said equipment; and (b) investment of moneys on deposit in a bonafide debt service fund. No portion of the proceeds of the Municipal Bond will be loaned or otherwise made available to any private person, nor shall any of such proceeds be expended or invested in a manner which will result in the Municipal Bond being classified as a "hedge bond" under Section 149(g) of the Code.

12. The Issuer is a political subdivision under Regulation Section 1.103-1(b) and is an entity with the power to incur debt and the power of eminent domain. The Municipal Bond is not a "private activity bond" (as defined in Section 141 of the Code). At least 95% of the proceeds of the Municipal Bond are to be used for local governmental activities of the Municipality and Issuer. In the event the aggregate face amount of all tax-exempt obligations (including the

Municipal Bond) issued or to be issued by the Municipality (and all agencies, instrumentalities and other political subdivisions of the Municipality) during the current calendar year exceeds $5,000,000, except for private activity bonds and additional obligations aggregating no more than $10,000,000 or such lesser amount attributable to the financing of the construction of public school capital facilities, the proceeds of each issue of such obligations shall be invested temporarily and expended in compliance with the rebate requirements of Section 148(f)(2) and (3) and the Regulations thereunder, as applicable, so as to assure that the interest paid on such obligations remains excludable from the gross income of the recipient thereof. The Municipality and Issuer will expend at least 85% of the Municipal Bond proceeds, and all of the net income derived from the temporary investment thereof, within a three-year period calculated from the earlier of the date of issuance of the Municipal Bond or date of issuance of any Prior Obligations. Proceeds not expended within three years shall be invested at a yield not in excess of the yield on the Municipal Bond.

13. The equipment is and will be owned by the Issuer and will not be leased to any person which is not a state or local government unit. In addition, the Municipality or the Issuer will not enter into any contracts or other arrangements, including without limitation, management contracts, capacity guarantee contracts, take or pay contracts, or put or pay contracts, pursuant to which such persons have a right to use or make use of the equipment on a basis not available to members of the general public or which confers special economic benefits on any private person. No private business use of the equipment will be made without an opinion of nationally recognized bond counsel that such use will not have an adverse effect on the tax-exempt status of the Municipal Bond.

14. Any reimbursement of an expenditure made prior to the issue date of the Municipal Bond or earlier short term financing is pursuant to a declaration of intent. In addition, any declaration of official intent of the Municipality or Issuer to reimburse itself out of Municipal Bond proceeds for prior expenditures incurred before the issuance of the Municipal Bond or short term financing, if earlier, was adopted not later than 60 days after the date of such expenditures. The equipment has not been in service for more than 18 months after the date of original expenditure, and such expenditures being reimbursed out of Municipal Bond proceeds are not more than three years old.

15. The Municipality and Issuer will do and perform all acts and things necessary or desirable in order to assure that interest paid on the Municipal Bond shall, for purposes of federal

income taxation, be excludable from the gross income of the recipients thereof, or, if applicable, preserve the Municipal Bond's tax advantages in the form of tax credits or interest payment subsidies.

16. In addition to the record-retention requirements of Section 6001 of the Code, and the Regulations now or hereafter promulgated thereunder, the Municipality and Issuer commit to implement procedures which are intended to provide the following;

a. Assignment of tax-exempt and tax credit bond, if applicable, compliance responsibilities to appropriate departments, officers, or employees.
b. Establishment and maintenance of books and records for each issue of obligations of the Municipality or the Issuer.
c. Code Section 148 compliant procedures for the investment of gross proceeds for each issue of the Municipality's or the Issuer’s obligations.
d. Maintenance of records relating to all allocations of expenditures of proceeds of each issue of the Municipality's or the Issuer’s obligations.
e. Periodic monitoring of use of proceeds of each issue of the Municipality's or the Issuer’s obligations, the investment and reinvestment of proceeds from the temporary investments thereof and the use of property acquired or financed by the proceeds of such obligations.
f. Verification of the foregoing.

17. This certification has been delivered as part of the record of proceedings and accompanying certificates with respect to the issuance of the Municipal Bond.

18. On the basis of the foregoing, it is not expected that the proceeds of the Municipal Bond will be used in a manner which would cause the Municipal Bond to be an "arbitrage bond" or "private activity bond" under Sections 103, 141 and 148 of the Code and the Treasury Regulations promulgated thereunder. To the best of our knowledge and belief, there are no other facts, estimates or circumstances that would materially change the foregoing conclusions.

19. No other obligations of the Municipality or the Issuer are:

a. being sold within fifteen (15) days of the date of this Tax Certificate;
b. being sold pursuant to a common plan of financing as was employed in the sale of the Municipal Bond; and
c. expected to be paid from substantially the same source of funds.

20. The Municipality and Issuer hereby designate the Municipal Bond a "bank-qualified obligation" under Section 265(b) of the Code.

21. The Municipality and Issuer reasonably expects, as of the issue date, that the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by both during that calendar year will not exceed $5,000,000.00.

22. During the current calendar year, the Municipality and Issuer will not issue debt of any sort aggregating $10,000,000.00 or more.

IN WITNESS WHEREOF, we have hereunto set our hands on behalf of the Municipality this 30th day of April 2026.

TOWN OF STOWE ELECTRIC DEPARTMENT

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Larry Lackey, Chair

____

Sarah Teachout, Vice Chair

____

Mark Gilkey

All or a Majority of Its Electric Commission

Attest:

____

Penny Davis, Clerk

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Penny Davis, Its Duly Authorized Treasurer

TOWN OF STOWE

Ethan Carlson, Chair

Paco Aumand

Jo Sabel Courtney

Nick Donza

Beth Gadbois

All or a Majority of Its Selectboard

Attest:

Penny Davis, Clerk

Penny Davis, Its Duly Authorized Treasurer

SCHEDULE D

MUNICIPAL BOND POST-ISSUANCE COMPLIANCE PROCEDURES

The following procedures have been adopted by the Issuer, effective as of the date of issue of the Note. These procedures shall be implemented immediately and shall relate to the Note and all currently outstanding and future debt obligations and financing leases. These procedures are intended to assist the Issuer in complying with those provisions of the Internal Revenue Code of 1986, as amended (the "Code") relating to (a) the qualified use of proceeds of the Issuer's tax-exempt and other tax advantaged bonds and notes and equipment financed by such proceeds; (b) arbitrage yield restrictions and rebate; (c) remediation of the effects of "deliberate action" of the Issuer which results in the disposition, abandonment or other change in use of property financed by the Issuer's debt obligation; and (d) the resolution of matters raised in connection with an audit or examination of the Issuer's tax-exempt or tax-advantaged obligations. These procedures are intended to furnish guidance in matters of Code compliance, and are subject to revision, modifications and enlargement from time to time.

(1) The municipal official or employee possessing the statutory or contractual powers, functions and responsibilities of a Chief Financial Officer (to the extent the same are not exercised by the Treasurer) shall be responsible for monitoring Note post-issuance compliance (the "Compliance Official").

(2) The Compliance Official shall review and implement these procedures in the manner necessary to ensure ongoing compliance with the provisions of the Tax Certificate. In connection therewith such official will become knowledgeable or consult an advisor experienced in post issuance compliance and will review and monitor notices, advice and directives as may be received by the Issuer from its bond counsel, accountants, financial advisors, and governmental sources.

(3) On or before the first day of June in each year, the Compliance Official shall confirm that all Issuer property financed by the proceeds of the Issuer's obligations continues to be used in the same manner as existed when such property was first placed into service. Such confirmation shall be based upon a visual inspection and representations of the public officials under whose care, custody and control the property is placed.

(4) For so long as the proceeds of any debt obligation of the Issuer remains unexpended, the Compliance Official shall confirm on the first day of June and the first day of December in each year that such proceeds are deposited or invested for a “temporary period” as established under Section 148 of the Code, and the Regulations thereunder. Following the third anniversary of the issuance of an Issuer obligation, all unexpended proceeds shall be invested so as to generate a yield no greater than the yield on the corresponding obligation.

(5) The Compliance Official shall confirm, at least annually while there are unexpended proceeds, that the proceeds of each Issuer obligation shall be expended in such amounts, at such frequency, and in such intervals to ensure that the Issuer avails itself of one or more arbitrage rebate exception allowed under Section 148 of the Code, and the Regulations promulgated thereunder. Alternatively, if rebate is due, the Compliance Official will engage a consultant to prepare a Report to determine any rebate due.

(6) With respect to the acquisition and construction of capital equipment financed with the proceeds of the Issuer’s debt obligations, the Issuer hereby declares that such proceeds shall be allocated to acquisition and construction expenditures prior to the expenditure and application of funds from any other public or private source. A final expenditure report accounting for the use of all Issuer obligation proceeds and earnings shall be completed no later than 18 months after the Project(s) financed by the Issuer obligation is placed in service.

(7) In the event there is a change of use, abandonment or disposition of property financed by the proceeds of an Issuer obligation, the Compliance Official shall immediately consult with the Issuer’s bond counsel and accountants regarding remedial action. The Issuer thereafter shall endeavor to call and redeem all or a portion of outstanding debt obligations, the proceeds of which were expended to finance such property. The proceeds derived from the sale or other disposition of the financed property shall not be commingled with other funds of the Issuer, but shall be used to effect the redemption of obligations, if necessary, the proceeds of which financed such property. Pending redemption as called for in this section, such proceeds shall be invested at a yield no greater than the yield on the obligations to be redeemed.

(8) The Compliance Official shall create and preserve records for the term of all Issuer obligation and any refunding thereof plus three years documenting the procedures incident to the authorization and issuance and identifying the proceeds of each issue of the Issuer’s obligations, the deposit and investment thereof, the income derived from

such deposit and investment, the expenditure of such proceeds and investment income (containing at a minimum the date, amount and recipient of each expenditure), payment requisitions, and all rate, fee, charge and assessment schedules relating to property financed by the Issuer's obligations. Such records shall include copies of loan agreements, escrow agreements, tax certificates, project bid documents, construction and acquisition contracts, project invoices, project-related bank statements, and documents related to anticipatory bond financing.

(9) The Compliance Official shall retain all contracts or arrangements with non-governmental persons relating to the use, control and management of the Project(s) financed an Issuer obligation.

(10) In the event there remain on hand any excess proceeds from an Issuer obligation, following acquisition or completion of the equipment for which such obligation was issued, the Compliance Official shall consult with the Issuer's bond counsel regarding the use of such proceeds.

SCHEDULE A

$240,204.12 #5701006069

CAPITAL EXPENSE NOTE
TOWN OF STOWE ELECTRIC DEPARTMENT
STOWE, VERMONT
APRIL 30, 2026

FOR VALUE RECEIVED, the Town of Stowe Electric Department (the "Borrower"), promises to pay to the order of the Union Bank or its registered assigns (the "Lender") at its place of business in Morristown, Vermont the principal sum of Two Hundred Forty Thousand Two Hundred Four dollars and 12/100**Dollars $240,204.12 with interest at the rate of 4.50% per annum, calculated on an actual 365 day basis or, if applicable, 366 days set forth to mature on April 30, 2031.

We agree to pay quarterly payments of $10,212.01 plus accrued interest on the 30th day of each April, July, October and January beginning July 30, 2026, and continuing quarterly thereafter until April 30, 2031, when any unpaid principal balance and accrued interest shall be due and payable.

This Note is issued to defray the cost for the Borrower's purchase of various equipment authorized by resolutions adopted by the Electric Commission of the Town of Stowe Electric Department and the Selectboard of Town of Stowe at meetings thereof duly noticed, called and held on April 28, 2026, and April 29, 2026, respectively.

The interest rate on this Note shall be subject to adjustment according to the following formula in the event there is a change in the Federal Corporate Tax Rate applicable to Union Bank with respect to a period during which the Note is outstanding. The purpose and intent of this formula is to maintain for Union Bank the same yield on the Note which was applicable immediately prior to such change in Federal Corporate Tax Rates.

$$R2 = R1\,(1+\{[T1-T2]/[1-T1]\})$$

Where R1 = the interest rate stated in this note
R2 = new adjusted interest rate
T1 = the corporate tax rate applicable to Union Bank in effect immediately prior to the change requiring an adjustment hereunder (such rate being 21% upon execution hereof)
T2 = the new corporate tax rate applicable to Union Bank

Demand, presentment for payment, protest and notice of protest hereof are waived.

Borrower may prepay this note in full or in part without premium or penalty.

It is hereby recited that all acts, conditions and things required to be done precedent to and in the issuing of this Note have been done, have happened, and have been performed in regular and due form, as required by law, and that the net revenues of the Borrower are hereby irrevocably pledged for payment of this Note as required by law.

Pursuant to and in accordance with Subchapter 2 of Chapter 53 of Title 24, this Note (i) shall be payable solely and exclusively from net revenues (as defined in said statute) derived from the operations of the Borrower and (ii) shall not constitute general indebtedness of the Borrower. Further, there is no, and shall not be any, obligation or liability upon the Town of Stowe to pay this Note from any funds of the Borrower other than such net revenues.

Purpose: For the purchase of (1) an excavator, (2) a chipper, a (3) chipper truck with body, and (4) an ATV

Dated this 30th day of April 2026.

TOWN OF STOWE ELECTRIC DEPARTMENT

____

Larry Lackey, Chair

____

Sarah Teachout, Vice Chair

____

Mark Gilkey

All or a Majority of Its Electric Commission

Attest:

__________________________ ________________________________

Penny Davis, Clerk Penny Davis, Its Duly Authorized Treasurer

Dated this 30th day of April, 2026.

TOWN OF STOWE

____

Paco Aumand, Chair

____

Ethan Carlson, Vice Chair

____

Jo Sabel Courtney

____

Nick Donza

____

Beth Gadbois

All or a Majority of Its Selectboard

Attest:

____

Penny Davis, Clerk

____

Penny Davis, Its Duly Authorized Treasurer

TOWN OF STOWE ELECTRIC DEPARTMENT
4.50% REGISTERED CAPITAL IMPROVEMENT
LOAN #5701006069
DATED APRIL 30, 2026
IN THE AMOUNT OF $240,204.12
DUE APRIL 30, 2031

CERTIFICATE OF REGISTRATION

It is hereby certified that the within note is hereby declared to be a fully registered bond with the principal and interest payable annually, and that such interest, as well as the principal, is payable to the registered holder thereof, its legal representatives, successors or assigns at the time and place expressed on the face of this Note.

The within Note is transferable only upon the books of the Treasurer of the Town of Stowe Electric Department upon presentation to the Treasurer with a written assignment duly acknowledged or proved.

Date of Registration: April 30, 2026

Name and Address of Registered Holder:
Union Bank
P.O. Box 667
Morrisville, VT 05661

TOWN OF STOWE ELECTRIC DEPARTMENT

By __________________________

Penny Davis
Treasurer/Transfer Agent

SCHEDULE B

Form **8038-G** (Rev. October 2021) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Bonds

▶ Under Internal Revenue Code section 149(e)
▶ See separate instructions.
Caution: *If the issue price is under $100,000, use Form 8038-GC.*
▶ Go to *www.irs.gov/F8038G* for instructions and the latest information.

OMB No. 1545-0047

Part I Reporting Authority

Check box if **Amended Return** ▶ ☐

1 Issuer's name: Town of Stowe Electric Department	2 Issuer's employer identification number (EIN): 03-6000702
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions): Penny Davis, Treasurer	3b Telephone number of other person shown on 3a: 802-253-7215
4 Number and street (or P.O. box if mail is not delivered to street address): P.O. Box 190 — Room/suite:	5 Report number (*For IRS Use Only*): 3
6 City, town, or post office, state, and ZIP code: Stowe, VT 05672	7 Date of issue: 4/30/2026
8 Name of issue: Capital Improvement Note	9 CUSIP number:
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information: Penny Davis, Treasurer	10b Telephone number of officer or other employee shown on 10a: 802-253-7215

Part II Type of Issue (Enter the issue price.) See the instructions and attach schedule.

11	Education	11	
12	Health and hospital	12	
13	Transportation	13	
14	Public safety	14	
15	Environment (including sewage bonds)	15	
16	Housing	16	
17	Utilities	17	$240,204.12
18	Other. Describe ▶	18	
19a	If bonds are TANs or RANs, check only box 19a ▶ ☐		
b	If bonds are BANs, check only box 19b ▶ ☐		
20	If bonds are in the form of a lease or installment sale, check box ▶ ☐		

Part III Description of Bonds. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	4/30/2031	$ $240,204.12	$ $240,204.12	5 years	4.50 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	
23	Issue price of entire issue (enter amount from line 21, column (b))			23	$240,204.12
24	Proceeds used for bond issuance costs (including underwriters' discount)	24			
25	Proceeds used for credit enhancement	25			
26	Proceeds allocated to reasonably required reserve or replacement fund	26			
27	Proceeds used to refund prior tax-exempt bonds. Complete Part V	27			
28	Proceeds used to refund prior taxable bonds. Complete Part V	28			
29	Total (add lines 24 through 28)			29	
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	$240,204.12

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31	Enter the remaining weighted average maturity of the tax-exempt bonds to be refunded ▶	years
32	Enter the remaining weighted average maturity of the taxable bonds to be refunded ▶	years
33	Enter the last date on which the refunded tax-exempt bonds will be called (MM/DD/YYYY) ▶	
34	Enter the date(s) the refunded bonds were issued ▶ (MM/DD/YYYY)	

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC). See instructions	36a	
b	Enter the final maturity date of the GIC ▶ (MM/DD/YYYY)		
c	Enter the name of the GIC provider ▶		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	

38a If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the following information:

b Enter the date of the master pool bond ▶ (MM/DD/YYYY)

c Enter the EIN of the issuer of the master pool bond ▶

d Enter the name of the issuer of the master pool bond ▶

39 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☑

40 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

41a If the issuer has identified a hedge, check here ▶ ☐ and enter the following information:

b Name of hedge provider ▶

c Type of hedge ▶

d Term of hedge ▶

42 If the issuer has superintegrated the hedge, check box ▶ ☐

43 If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ▶ ☑

44 If the issuer has established written procedures to monitor the requirements of section 148, check box ▶ ☑

45a If some portion of the proceeds was used to reimburse expenditures, check here ▶ ☐ and enter the amount of reimbursement ▶

b Enter the date the official intent was adopted ▶ (MM/DD/YYYY)

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Signature of issuer's authorized representative	Date	Penny Davis, Treasurer Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
Firm's name ▶			Firm's EIN ▶	
Firm's address ▶			Phone no.	