Agenda Summary
September 9, 2026

Agenda Item No. B-2
Stowe Electric Department VT Bond Bank Renewable Energy Loan & Revenue Borrowing Resolution

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Summary: SED GM Jackie Pratt will be in attendance to discuss a revenue bond request related to the Smiths Falls dam project. See memo enclosed.

Municipal utilities are generally not authorized to retain cash reserves to pay for these types of projects, and instead utilize borrowing to pay for them. This is to ensure that the payers are future beneficiaries over the life of the loan rather than past customers.

Town Plan & Policy Impact: N/A

Fiscal & HR Impact: This would be a revenue bond, paid for with SED revenues.

Recommendation: The Town attorney has provided three motions for Selectboard consideration.

> Having seen and reviewed the Selectboard Resolution and Certificate related to the issuance of the Stowe Electric Department's $2,400,000 Electric System Revenue Bond, Series 2026A, in connection with a Loan Agreement between the Department and the Vermont Bond Bank, I hereby move the adoption and approval of the Resolution and Certificate as presented at this meeting.
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> Having seen and reviewed the Stowe Electric Department Electric System Revenue General Bond Resolution, providing for the issuance from time to time of revenue bonds of the Department in one or more series secured by a pledge of the net revenues of the Department's Electric System, I hereby move the adoption and approval of the General Bond Resolution as presented at this meeting.
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> Having seen and reviewed Supplemental Resolution No. 1 to the Stowe Electric Department Electric System Revenue General Bond Resolution, authorizing the issuance of the Department's $2,400,000 Electric System Revenue Bond, Series 2026A, in connection with a Loan Agreement between the Department and the Vermont Bond Bank, I hereby move the adoption and approval of the Supplemental Resolution as presented at this meeting.

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

To: Stowe Electric Commission
From: J. Pratt, General Manager; S. Juzek, Director of Finance
Date: September 9, 2026

Subject: VT Bond Bank Renewable Energy Loan & Revenue Borrowing Resolution

Background
As previously noted in the information provided as part of Agenda item "C-1 Manager's Report" at the August 12, 2026, Selectboard meeting, SED's hydro project qualifies for the IRS Investment Tax Credit (ITC). The ITC for this project will equal 40% of overall project costs and will be provided to SED as a direct payment from the IRS through the Elective Pay provision available to municipalities and non-profit organizations. The ITC application will be submitted following project completion.

Because SED accounted for the ITC as a reduction in overall project costs, we did not include borrowing for those funds in the August 2024 bond request for our long-term USDA Powering Affordable Clean Energy loan. Instead, SED intends to take a short-term revenue-backed loan through the Vermont Bond Bank's Energy Efficiency & Renewable Energy (EERE) loan program. EERE loans are available at 2.125% interest for up to 10 years for eligible projects. EERE loans are compatible with the IRS Elective Pay ITC program and an eligible use of loan proceeds is the bridging of elective pay credits. SED will use the EERE loan for this specific purpose.

The Public Utility Commission (PUC) and Department of Public Service (DPS) currently take the position that municipal utilities should not retain any substantial cash reserves and should finance capital investments. As a result, this short-term loan is important for maintaining adequate cash flow during construction of the hydro project and ensuring SED has sufficient cash on hand available to meet its ongoing operating and project-related obligations until the ITC is received, following project completion.

The EERE loan will be paid for using Stowe Electric Department revenues while construction is underway. The intention is to fully retire the EERE loan once SED receives ITC funds following commissioning of the hydro facility in late 2027. However, the SED Commission may elect to retain the low-interest EERE loan through the end of the term and utilize ITC funds for upcoming capital projects where the borrowing costs would be higher than the 2.125% interest provided through the EERE. It is important to note that there is no penalty for

prepayment or early retirement of the EERE loan. SED anticipates filing for the ITC in early 2028 and hopes to receive the ITC reimbursement by the end of that calendar year.

Revenue-Backed Borrowing & Approval Process
SED is subject to borrowing under the provisions both 24 V.S.A § 1822 and 30 V.S.A. § 108. Under these statutes, the EERE revenue-backed loan requires approval of both the Stowe Electric Commission as well as the Town of Stowe Selectboard. However, because this is not a General Obligation Bond, it does not require voter approval. Additionally, PUC approval is not required under 30 V.S.A. § 108 as SED's debt ratios are within the parameters of that statute, including both the PACE loan and the proposed short-term EERE loan.

The documents presented to you for approval are required by the Vermont Bond Bank to issue revenue bonds to Stowe Electric Department in order to finance the ITC portion of the Smith's Dam and Hydro facility project. Attached you will find the following documents that were approved unanimously by the Stowe Electric Commission at their August 25, 2026, meeting, with a brief description of each document's purpose:

- **Stowe Electric Department Resolution of the Board of Commissioners** – This resolution authorizes the other documents.

- **Revenue Bond Borrowing Resolution** – This document implements the revenue bond regime – it is based on a similar revenue bond document in another Vermont town that the Bond Bank uses and provides the overall terms for revenue bonds issued by SED now and in the future.

- **Supplemental Resolution for Electric Revenue Bonds** – This document authorizes the issuance of a particular series of bonds for a particular project – this one is for the $2.4 million bonds for the Smith's Dam and Hydro facility project.

- **VT Bond Bank EEP Revenue Bond Loan Agreement** – This is a form for the SED loan through the VT Bond Bank.

- **Deposit Account Control Agreement** – This allows the Bond Bank to have control over SED's accounts at Union Bank if SED ever defaults on the bonds issued to the Bond Bank so that the Bond Bank can get paid in such a scenario.

Town Counsel has vetted all documents related to this revenue borrowing and provided the following motions and attached "**Selectboard Resolution and Certificate – Stowe Electric Department Electric System Revenue Bonds, Series 2026A**" for adoption by the Town of Stowe Selectboard. Stowe Electric Department and its Board of Commissioners respectfully request the Selectboard make the following motions in support of the EERE revenue bond.

Recommended Motions

1. *Having seen and reviewed the Selectboard Resolution and Certificate related to the issuance of the Stowe Electric Department's $2,400,000 Electric System Revenue Bond, Series 2026A, in connection with a Loan Agreement between the Department and the Vermont Bond Bank, I hereby move the adoption and approval of the Resolution and*

Certificate as presented at this meeting.

2. *Having seen and reviewed the Stowe Electric Department Electric System Revenue General Bond Resolution, providing for the issuance from time to time of revenue bonds of the Department in one or more series secured by a pledge of the net revenues of the Department's Electric System, I hereby move the adoption and approval of the General Bond Resolution as presented at this meeting.*

3. *Having seen and reviewed Supplemental Resolution No. 1 to the Stowe Electric Department Electric System Revenue General Bond Resolution, authorizing the issuance of the Department's $2,400,000 Electric System Revenue Bond, Series 2026A, in connection with a Loan Agreement between the Department and the Vermont Bond Bank, I hereby move the adoption and approval of the Supplemental Resolution as presented at this meeting.*

TOWN OF STOWE, VERMONT

SELECTBOARD RESOLUTION AND CERTIFICATE

STOWE ELECTRIC DEPARTMENT ELECTRIC SYSTEM REVENUE BONDS, SERIES 2026A

WHEREAS, the Stowe Electric Department (the "Department") is a department of the Town of Stowe, Vermont (the "Town"), managed by the Board of Commissioners of the Stowe Electric Department (the "Commission"), and the Commission is authorized and empowered to approve revenue–backed indebtedness for capital improvements related to the operations of the Department, subject to the approval of the Selectboard of the Town (the "Selectboard") and, as required by law, the voters of the Town; and

WHEREAS, Section 153–1101 of the Town Charter, codified at 24 App. V.S.A. chapter 153, provides that the 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, and further provides, with specific reference to Subchapter 2 of Chapter 53 of Title 24, "Indebtedness for Public Utility Purposes," Sections 1821–1828, that the Commission is permitted to issue revenue–backed bonds for any capital improvement purpose related to its 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; and

WHEREAS, at a duly called, noticed and warned meeting of the Commission held August 25, 2026, at which a quorum of the Commission was present and voting, the Commission determined that the public interest and necessity demand that the Department undertake certain capital improvements, repairs, replacements and related improvements to its infrastructure and equipment at the Smith's Dam and Hydro Facility (the "Project") at an aggregate estimated cost of Two Million Four Hundred Thousand Dollars ($2,400,000); and

WHEREAS, the Commission has further determined that the cost of completing the Department's share of the costs of constructing the Project, after application of available state and federal grants–in–aid and the application of available reserves (if any), will be too great to be paid out of the annual revenue of the Department; and

WHEREAS, in order to finance the Project the Department proposes to issue its Electric System Revenue Bond, Series 2026A, in an aggregate principal amount not to exceed Two Million Four Hundred Thousand Dollars ($2,400,000), subject to reduction from the receipt of available state and federal grants–in–aid, payable solely from the net revenues (as defined in Subchapter 2, Chapter 53 of Title 24 of the Vermont Statutes Annotated) of the Department and issued pursuant to the provisions of 24 V.S.A. § 1822(d) (the "Series 2026A Bond"); and

WHEREAS, the Series 2026A Bond is to be sold to the Vermont Bond Bank (the "Bond Bank") pursuant to a Loan Agreement by and between the Department and the Bond Bank (the "Loan Agreement"), and certain funds and accounts securing the Series 2026A Bond are to be held subject to a Deposit Account Control Agreement by and among the Department, the Bond Bank and Union Bank (the "DACA"); and

WHEREAS, the Stowe Electric Department Electric System Revenue General Bond Resolution (the "General Bond Resolution") provides for the issuance, from time to time, of revenue bonds of the Department in one or more series, secured by a pledge of the net revenues of the Department's Electric System, and provides that each such series shall be authorized by a supplemental resolution adopted thereunder, and is of continuing effect and not limited to the Series 2026A Bond; and

WHEREAS, capitalized terms used in this Resolution and not otherwise defined herein shall have the meanings assigned to such terms in the General Bond Resolution; and

WHEREAS, the Series 2026A Bond is to be authorized and issued under the General Bond Resolution and Supplemental Resolution No. 1 thereto (the "Supplemental Resolution"), each of which by its terms is to be adopted by the Commission and by the Selectboard, and each of which is being presented to the Selectboard for adoption by separate resolution at this meeting; and

WHEREAS, approval of the Selectboard is required for the issuance of the Series 2026A Bond, and the Selectboard may give its approval without approval of the voters of the Town only if the Series 2026A Bond, together with all other indebtedness of the Department payable solely from the net revenues of the Department and for which the full faith and credit of the Town has not been pledged, is not in excess of fifty percent (50%) of the total assets of the Department at the time of issuance; and

WHEREAS, the Commission, for itself and on behalf of the Department, has by resolution adopted at its duly noticed and called meeting held August 25, 2026, requested that the Selectboard approve the foregoing matters and authorize the transactions contemplated thereby;

NOW THEREFORE, at a regular meeting of the Selectboard of the Town of Stowe duly warned and noticed and held on September 9, 2026, BE IT RESOLVED as follows:

1. The Selectboard hereby approves the issuance of the Series 2026A Bond, and such approval constitutes the approval of the Selectboard required by Section 153–1101 of the Town Charter. The Selectboard further finds and determines that the Series 2026A Bond, together with all other indebtedness of the Department payable solely from the net revenues of the Department and for which the full faith and credit of the Town has not been pledged, is not in excess of fifty percent (50%) of the total assets of the Department at the time of issuance. Accordingly, pursuant to 24 V.S.A. § 1822(d), approval of the voters of the Town is not required for the issuance of the Series 2026A Bond, and no such approval is required "according to law" within the meaning of Section 153–1101 of the Town Charter.

2. The Selectboard hereby authorizes the issuance of revenue bonds of the Department in an aggregate principal amount not to exceed Two Million Four Hundred Thousand Dollars ($2,400,000), subject to reduction from the receipt of available state and federal grants–in–aid, payable solely from the net revenues of the Department and issued pursuant to the provisions of 24 V.S.A. § 1822(d), for the purpose of financing the cost of the Project and the costs of issuance thereof.

3. The Series 2026A Bond, when issued and delivered pursuant to the General Bond Resolution and the Supplemental 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 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 Series 2026A Bond.

4. In adopting the General Bond Resolution and the Supplemental Resolution, the Selectboard acts in its capacity as the legislative branch of the Town authorizing the issuance of the Series 2026A Bond pursuant to 24 V.S.A. § 1822(d) and approving such issuance pursuant to Section 153–1101 of the Town Charter. It is the intent of the Town and of the Department that the covenants and undertakings set forth in Articles V and VII of the General Bond Resolution, and in Section 402 of the Supplemental Resolution, relating to the establishment and administration of funds and accounts, the establishment and collection of rates and charges, the preparation of budgets and audits, the maintenance of insurance, the operation and maintenance of the Electric System, and compliance with the Loan Agreement, are to be performed by the Department as the party that owns, operates, administers and manages the Electric System and that executes and administers the Loan Agreement. It is further the intent of the Town and of the Department that neither the General Bond Resolution nor the Supplemental Resolution obligates the Town to expend monies of its General Fund or of any fund other than the net revenues of the Electric System, and that neither pledges the full faith and credit or the taxing power of the Town.

5. The Selectboard acknowledges the covenants, pledges and representations made by the Commission for itself and on behalf of the Department in its resolution adopted August 25, 2026, and relies upon the same in adopting this Resolution.

6. The Selectboard hereby approves the Loan Agreement and the DACA, each in substantially the form presented to the Selectboard at this meeting, with such changes, insertions and completions as the officer or officers executing the same shall approve.

7. The Board of Commissioners of the Department is authorized to designate such authorized officer or officers of the Department to execute and deliver all instruments and documents on behalf of the Department, with such modifications as determined by such officer, and to take such action as required in connection with the transactions contemplated by these resolutions.

8. The Selectboard notes that the Treasurer's Certificate and the Appointment of Authorized Representatives contemplated by the Loan Agreement relate to the finances, records and administration of the Department, and that the officer or officers designated by the Commission pursuant to Section 7 hereof, and not the Town Clerk and Treasurer in her capacity as such, are the appropriate signatories thereto. Nothing in this Section shall preclude the Town Clerk and Treasurer from executing any certificate that by its terms requires execution by a Town officer.

9. The authority conferred by this Resolution shall be a continuing one, in full force and effect until revoked or modified by resolution of the Selectboard.

10. All acts and things previously done by the lawfully constituted officers of the Department and the Town, and of the Commission and the Selectboard, in, about or concerning the proposition of incurring bonded indebtedness and the issuance of the Series 2026A Bond, and all documents and papers heretofore executed or delivered by any of said officials in exercising any of the foregoing powers, are hereby ratified, confirmed and approved.

11. All acts relating to the proposition of incurring bonded indebtedness and the issuance of revenue bonds of the Department for the purpose of constructing and operating the Project within and without the corporate limits of the Town shall be in accordance with the provisions of Chapter

53 of Title 24, Vermont Statutes Annotated, and of the Town Charter, codified at 24 App. V.S.A. chapter 153.

CERTIFICATE

The undersigned members of the Selectboard of the Town of Stowe, by adopting, and the undersigned Selectboard members and Town Clerk and Treasurer, by signing, this Resolution hereby certify that we are, respectively, the duly elected Selectboard members of the Town of Stowe and its duly elected Town Clerk and Treasurer; that the Series 2026A Bond is authorized pursuant to our lawful authority; that no proceeding related to the issuance or delivery of the Series 2026A Bond has been taken other than as shown in the foregoing 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 Series 2026A Bond 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.

Dated: September 9, 2026

TOWN OF STOWE SELECTBOARD

_____
Ethan Carlson, Chair

_____
Elizabeth Gadbois, Vice Chair

_____
Francis “Paco” Aumand, Selectboard Member

_____
Jo Sabel Courtney, Selectboard Member

_____
Nick Donza, Selectboard Member

ATTEST:

_____
Penny Davis, Town Clerk & Treasurer

STOWE ELECTRIC DEPARTMENT
RESOLUTION OF BOARD OF COMMISSIONERS

The Board of Commissioners of the Stowe Electric Department (the "Department"), having reviewed documents related to the proposed issuance of revenue bonds by the Department, including: (i) the Stowe Electric Department Electric System Revenue General Bond Resolution (the "Resolution"); (ii) the Supplemental Resolution No. 1 to the Resolution (the "Supplemental Resolution"); (iii) the Deposit Account Control Agreement to be entered into by and among the Department, the Vermont Bond Bank and Union Bank (the "DACA"); and (iv) the form of Loan Agreement to be entered into by the Department and the Bond Bank, hereby approve such materials and recommend to and request that the Selectboard of the Town of Stowe approve such materials.

The Board of Commissioners of the Stowe Electric Department, having reviewed the documents enumerated above, including the Supplemental Resolution, and having determined (i) that the public interest and necessity demand that the Department undertake certain capital improvements to its infrastructure and equipment at the Smith's Dam and Hydro facility at an aggregate estimated cost of Two Million Four Hundred Thousand Dollars ($2,400,000) and (ii) that the cost of completing the Department's share of the costs of constructing such improvements, after application of available state and federal grants-in-aid and the application of available reserves (if any), will be too great to be paid out of the annual revenue of the Department, hereby authorizes the issuance of revenue bonds of the Department in an amount not to exceed Two Million Four Hundred Thousand Dollars ($2,400,000), subject to reduction from the receipt of available state and federal grants-in-aid and payable solely from the revenues of the Department and issued pursuant to the provisions of 24 V.S.A. Section 1822(d), for the purpose of financing the cost of such improvements and recommends to and requests that the Selectboard of the Town of Stowe approve such materials.

Subject to approval of the Selectboard of the Town of Stowe, the Board of Commissioners of the Stowe Electric Department hereby authorizes the General Manager, the Director of Finance, and the Clerk of the Department, acting individually, on behalf of the Department to execute and deliver all instruments and documents, with such modifications as determined by such officer, and to take such action as required in connection with any of the foregoing matters and states that this authority shall be a continuing one in full force and effect until revoked or modified by resolutions of Board of Commissioners of the Stowe Electric Department and that all previous acts of, and all documents and papers heretofore executed and/or delivered by, any of said officials and/or individuals in exercising any of the foregoing powers, are hereby ratified, confirmed and approved.

[*Signature page follows*]

Dated: August 25, 2026

TOWN OF STOWE BOARD OF ELECTRIC COMMISSIONERS

_____
Lawrence Lackey, Chair

_____
Sara Teachout, Vice Chair

_____
Mark Gilkey, Commissioner

_____
Amber Ives, Clerk

STOWE ELECTRIC DEPARTMENT
ELECTRIC SYSTEM
REVENUE GENERAL BOND RESOLUTION

Be It Resolved by the Stowe Electric Department and its Board of Commissioners and by the Town of Stowe, Vermont and its Selectboard as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. Unless the context clearly indicates some other meaning, the terms defined in this Section, when used in this Resolution or any Supplemental Resolution, have the following meanings:

(A) "Act" means collectively, the Town Charter, codified at 24A V.S.A. Chapter 153 and Subchapter 2 of Chapter 53 of Title 24, Vermont Statutes Annotated.

(B) "Additional Bonds" means Bonds other than the initial Series of Bonds issued under the Resolution.

(C) "Authorized Officer" means the General Manager of the Department or any other person designated by the Department.

(D) "Board" means the duly elected members of the Selectboard of the Town.

(E) "Bonds" means the Electric System Revenue Bonds issued from time to time under Sections 2.1, 2.2 and 2.3.

(F) "Bondowner" or "owner of a Bond" means any person who shall be the registered owner of any Outstanding Bond or Bonds.

(G) "Bond Insurer" means with respect to any Series of Bonds, the municipal bond insurance company (if any) identified in a Supplemental Resolution, and its successors and assigns.

(H) "Bond Insurance" means with respect to any Series of Bonds, the municipal bond insurance policy (if any) identified in a Supplemental Resolution.

(I) "Code" means the Internal Revenue Code of 1986, as amended, and the Regulations promulgated thereunder.

(J) The "Commissioners" means the duly appointed commissioners of the Department.

(K) "Construction Fund" means the Electric System Construction Fund created by

Section 5.5.

(L) "Consulting Engineer" means the engineer or engineering firm or firms retained by the Department pursuant to Section 7.4.

(M) "Credit Facility" means any letter or line of credit, policy of bond insurance, indemnity or surety bond, guarantee or similar instrument issued by a financial, insurance or other institution and which provides security and/or liquidity in respect of Bonds.

(N) "Date of Commercial Operation" means the date a Project is first ready for normal continuous operation, as determined by the Department. If a Project consists of more than one undertaking, the Date of Commercial Operation of the Project is the latest Date of Commercial Operation of the Project of any undertaking included in the Project.

(O) "Debt Service" means with respect to each Fiscal Year or other period the aggregate of the amounts to be set aside (or estimated to be required to be set aside) in the Debt Service Fund pursuant to Section 5.3(A), (B) and (C) in the Fiscal Year for the payment of the principal, interest or redemption price of Bonds and Unissued Bonds, less debt service paid or to be paid from Bond proceeds or from earnings thereon, plus principal, interest and sinking fund payments due on capital leases or other obligations of the Department which are payable from or secured by Revenues or Net Revenues.

(P) "Debt Service Fund" means the Electric System Revenue Bond Debt Service Fund created by Section 5.3.

(Q) "Debt Service Reserve Fund" means the Electric System Revenue Bond Debt Service Reserve Fund created by Section 5.4.

(R) "Debt Service Reserve Fund Requirement" means the amount specified in the Supplemental Resolution authorizing a series of bonds.

(S) "Department" means the Electric Department of the Town.

(T) "Electric System" means that certain municipal electric generation and distribution system now owned, operated, and managed by the Town through the Department, together with any Improvement constructed or acquired after the adoption of this Resolution, and all other facilities, equipment and appurtenances necessary or appropriate to the system for the generation and/or distribution of electric within the Town. The Electric System includes the ownership share of the Town in jointly-owned facilities for electric generation and distribution.

(U) "Event of Default" means an Event of Default as defined in Section 8.1.

(V) "Fiscal Year" means the fiscal year of the Town as established from time to time. The Fiscal Year is now the twelve-month period ending June 30.

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

(X) "Improvements" mean such improvements, renewals, replacements, construction and remodeling of the Electric System or any part thereof and such extensions and additions thereto as may be necessary or prudent, in the judgment of the Department, to keep the same in proper condition for the safe, efficient and economic operation thereof and to integrate into the Electric System any unit or part thereof, and shall include such land, structures and facilities as may be authorized to be acquired or constructed by the Department under the provisions of Vermont law and such improvements, renewals, replacements, construction and remodeling of such land, structures facilities and such extensions and additions thereto as may be necessary or prudent for continuous and efficient service to the public. Improvements shall include all the foregoing whether financed from the proceeds of Bonds issued under the provisions of this Resolution or from moneys deposited to the credit of the Construction Fund or from any other source.

(Y) "Interest Account" means the Interest Account created in the Debt Service Fund by Section 5.3.

(Z) "Investment Securities" means any of the following, if and to the extent that they are legal for the investment of funds of the Town:

(1) Direct obligations of the United States of America for the payment of money, or obligations for the payment of money which are guaranteed or insured as to payment of principal and interest by the United States of America, and direct obligations for the payment of money, issued by an agency or instrumentality of the United States of America, or obligations for the payment of money which are guaranteed or insured as to payment of principal and interest by an agency or instrumentality of the United States of America;

(2) Bonds and other legally created direct, general obligations of any state of the United States of America, including the Commonwealth of Puerto Rico, and any political subdivision of any state of the United States of America for the payment of money, provided that such obligations are rated in one of the top three rating categories by Moody's and S&P;

(3) Direct obligations for the payment of money, issued by an agency or instrumentality of any state of the United States of America or of the Commonwealth of Puerto Rico for the payment of money which are guaranteed or insured as to payment of principal and interest by the state or commonwealth of which the issuer is an instrumentality, provided that such obligations are rated in one of the top three rating categories by Moody's and S&P;

(4) Bonds and other evidences of indebtedness of the United States of America, or any state thereof, or of any political subdivision thereof, or of any public

authority or instrumentality of one or more of the foregoing, which are payable as to both principal and interest from adequate special revenues pledged or otherwise appropriated or by law required to be provided for the purposes of that payment, but not including any obligations payable solely out of special assessments on properties benefitted by local improvements; except that bonds or evidences or indebtedness of issuers outside the state of Vermont must be, at the time the investment is made, rated "A" or higher by S&P and Moody's with respect to long term indebtedness and "P-1" or "A-1" or higher by S&P and Moody's, respectively, with respect to short term indebtedness (in every case without reference to gradations of such categories such as "plus" or "minus");

(5) Interest bearing obligations issued, assumed or guaranteed by any solvent institution created or existing under the laws of the United States of America or of any state, whether or not secured, which are not in default as to interest or principal, if those obligations at the time of investment are rated "A" or higher by S&P and Moody's with respect to long term indebtedness and P-1 or A-1 or higher by S&P and Moody's, respectively, with respect to short term indebtedness (in every case without reference to gradations of such categories such as "plus" or "minus"), including, among others, (A) certificates of deposit or time deposits of any bank, any branch of any bank, trust company or national banking association that has a combined capital surplus and undivided profits not less than $25,000,000, (B) any repurchase agreement with a maturity of not more than 30 days that is with a bank or trust company (including the Trustee and its affiliates) that has a combined capital, surplus and undivided profits not less than $100,000,000 or with primary government dealers (any such government dealer must be a member of Securities Investor Protection Corporation), for obligations described in (a) hereof having on the date of the repurchase agreement and on the first day of every month thereafter a fair market value equal to at least 102% of the among of the repurchase obligation of the bank, trust company or government dealer; provided, however, that (i) the repurchase obligation of the bank, trust company or government dealer is collateralized by such obligations themselves, (ii) such obligations purchased must be transferred to the Trustee (unless the purchase agreement is with the bank serving as Trustee or any related party) or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations and such trustee or third party agent and segregated from securities owned generally by the bank, trust company or government dealer, or the Trustee is furnished with an opinion of counsel stating that a perfected security interest under the Uniform Commercial Code of the state in which the securities are located or book entry procedures present at 31 C.F.R. §§ 306.1 et seq. or 31 C.F.R. §§ 350.0 et seq. in such investments has been created for the benefit of the Owners of the Bonds, and (iii) if the repurchase agreement is with the bank serving as Trustee or any related party, the third party holding such investments holds them as agent for the beneficial owners of the Bonds rather than as agent for the bank serving as Trustee or any other party and the investments be evaluated no less frequently than weekly to determine if their fair market value equals or exceeds the required 102% level and, if upon such valuation, the fair market value is found to be deficient, then the bank, trust company or government dealer shall

have no more than five business days to pledge additional obligations authorized hereunder for such repurchase agreement so as to satisfy such requirement or the third party holding the investments must be required to liquidate the collateral and disburse the proceeds to the Trustee; and

(6) Units of a tax-exempt or taxable government money market portfolio composed solely of obligations listed in (1), (2), (3) or (4) above with a yield adjusted to maintain the value of such units at par.

(AA) "Maximum Annual Debt Service" means with respect to each Fiscal Year the aggregate Debt Service as computed for any such period in which such sum is the largest. In computing Maximum Debt Service, Debt Service on Partially Amortized Bonds shall be determined as set forth in Section 2.6.

(BB) "Moody's" means Moody's Investors Service, Inc., or any of its successors or assigns.

(CC) "Net Revenues" means the Revenues (excluding (i) proceeds of Bonds and notes issued in anticipation of Bonds or of Revenues, (ii) the proceeds of the sale or other disposition of all or any part of the Electric System, (iii) proceeds of insurance, except business interruption insurance which is included, and condemnation awards received with respect to the Electric System, (iv) other items of an extraordinary and non-recurrent nature, (v) contributions in aid of construction, and (vi) customer deposits) after deducting the Operating Expenses (exclusive of expenses of a capital nature paid from or offset by sources other than Revenues included in Net Revenues).

(DD) "Operating Expenses" means the expenses of the Department for the operation, maintenance, repair, and ordinary replacements properly and directly attributable to the operation or ordinary maintenance of the Electric System. Operating Expenses also include costs and expenses paid from the proceeds of insurance, condemnation, or the disposition of property to repair or replace the property from which the proceeds are derived. Operating Expenses do not include the principal of and interest on bonds, notes or other evidences of indebtedness issued by the Department for the purposes of its Electric System and depreciation. Operating Expenses include taxes, if any, payable on the Electric System to municipalities other than the Town, or payments in lieu thereof, but do not include payments to the Town of or in lieu of taxes on the Electric System.

(EE) "Opinion of Bond Counsel" means an opinion of an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States.

(FF) "Outstanding" has the meaning set forth in Section 11.1, i.e., a Bond shall not be Outstanding under the Resolution if the Bond is at the time not deemed to be Outstanding under the Resolution pursuant to Section 11.1.

(GG) "Partially Amortized Bonds" means Bonds of a Series of which twenty-five

percent (25%) or more of the principal on which comes due in a single year and for which no sinking fund installments have been established.

(HH) "Paying Agent" means the Trustee as to all the Bonds and, as to Bonds of a particular Series, the alternate Paying Agent or Agents (if any) designated for the payment of the principal of, premium, if any, and interest on the Series of Bonds in the Supplemental Resolution providing for their issuance.

(II) "Principal Account" means the Principal Account created in the Debt Service Fund by Section 5.3.

(JJ) "Project" means any acquisition, improvement, extension, enlargement, betterment, addition, alteration, construction, reconstruction, extraordinary repair, equipping or reequipping, financing of or the Electric System, or any one or more of the foregoing.

(KK) "Project Costs" means all costs of carrying out a Project or refinancing a Project and, without limiting the generality of the foregoing, may include (i) all preliminary expenses, (ii) the cost of acquiring all property, franchises, easements and rights necessary or convenient for the Project, (iii) engineering and legal expenses, (iv) expenses for estimates of costs and revenues, (v) expenses for plans, specifications and surveys, (vi) other expenses incident or necessary to determining the feasibility or practicability of the enterprise, (vii) administrative expense, (viii) construction costs, (ix) interest prior to the Date of Commercial Operation of any Project and for a reasonable period thereafter, (x) the establishment of or contribution to such reserves as may be required by the Resolution, and (xi) such other expenses as may be incurred in the financing or refinancing of the Project (including the costs of various forms of credit enhancement) or in carrying it out, placing it in operation (including the provision of working capital) and in the performance of things required or permitted by the Act in connection with the Project.

(LL) "Prudent Utility Practice" means either (i) any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, or (ii) any of the practices, methods or acts, which in the exercise of reasonable judgment in the light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expeditious action. Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods, or acts. Prudent Utility Practice shall also include those practices, methods and acts that are required by applicable laws and final orders or regulations of regulatory agencies having jurisdiction over the subject action.

(MM) "Qualified Financial Institution" means and includes: (1) any U.S. domestic institution which as a bank, trust company, national banking association or a corporation, including the Trustee and any of its affiliates, subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, or a member of the Financial Industry Regulatory Authority (FINRA), in each case whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the two highest rating categories by Standard & Poor's Corporation,

Moody's Investor's Service, Inc. or Fitch Investors Service, Inc., or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; (2) an insurance company with a claims-paying ability or a corporation whose obligations are guaranteed by an insurance company (in the form of an insurance policy) or by an insurance holding company rated within one of the two highest rating categories by Standard & Poor's Corporation, Moody's Investor's Service, Inc. or Fitch Investors Service, Inc., or whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the two highest rating categories by Standard & Poor's Corporation, Moody's Investor's Service, Inc. or Fitch Investors Service, Inc.; or (3) any banking institution whose unsecured obligations or uncollateralized long-term debt obligations have been assigned a rating within one of the two highest rating categories by Standard & Poor's Corporation, Moody's Investor's Service, Inc. or Fitch Investors Service, Inc.

(NN) "Resolution" means this Electric System Revenue General Bond Resolution as amended or supplemented from time to time by Supplemental Resolutions.

(OO) "Revenue Fund" means the Electric System Revenue Fund created by Section 5.1.

(PP) "Revenues" means all revenues, rates, fees, charges, rents or other income derived and receipts received by the Department from any source to the Department, or any department, board or agency thereof, in connection with the ownership, management and operation of the Electric System. Without limiting the generality of the foregoing, Revenues include rentals, proceeds of insurance or condemnation or other disposition of plant assets (except as provided below), federal or state grants-in-aid with respect to such Electric System, proceeds of Bonds issued under the Act for the Electric System, proceeds of notes issued in anticipation of operating Revenues (unless set aside to pay notes of the same character) and earnings from the investment of Revenues which are pledged to the payment of the Department's bonds. Unless otherwise provided by Supplemental Resolution, Revenues do not include the proceeds of other borrowing by the Town or the Department or the proceeds of grants for limited purposes or of the disposition of property financed by such grants, or payments or reimbursement of capital costs by other owners pursuant to joint ownership agreements relating to jointly owned facilities.

(QQ) "S&P" means Standard & Poor's Ratings Services, or any of its successors or assigns.

(RR) "Serial Bonds" means Bonds other than Term Bonds. Payment of principal on Serial Bonds is provided from the Principal Account.

(SS) "Series" or "Series of Bonds" or "Bonds of a Series" means a series of Bonds authorized by the Resolution.

(TT) "Sinking Fund Account" means the Sinking Fund Account created in the Debt Service Fund by Section 5.3.

(UU) "Special Redemption Fund" means the Electric System Revenue Bond Special Redemption Fund created by Section 5.9.

(VV) "State" means the State of Vermont.

(WW) "Supplemental Resolution" means a resolution adopted by the Commissioners and the Board under Article II providing for the issuance of Bonds or under Article IX amending or supplementing the Resolution.

(XX) "Term Bonds" means Bonds with respect to which payments are required to be made into the Sinking Fund Account as specified in the Supplemental Resolution providing for their issuance. A Series of Bonds may include both Serial and Term Bonds and may include more than one set of Term Bonds, each of which has its own maturity date. Payment of principal on Term Bonds is provided from the Sinking Fund Account.

(YY) "Town" means the Town of Stowe, Vermont.

(ZZ) "Trustee" means the trustee appointed by Section 6.1 and its successors as such.

(AAA) "Unissued Bonds" means at any time Bonds not yet issued and not then being issued which the Consulting Engineer estimates will be required to be issued to complete the payment of the Project Costs of a Project for which Bonds have been issued or are then being issued.

ARTICLE II
AUTHORIZATION AND ISSUANCE OF BONDS

Section 2.1. Authorization of Bonds. The Department may issue Bonds under this Resolution to be known as "Electric System Revenue Bonds." The Bonds shall be issued from time to time in series as the Commissioners and the Board may deem necessary or prudent for the purposes of (a) the payment of Project Costs and (b) the refunding (directly or indirectly) of Bonds or other obligations for the purpose of paying Project Costs.

Section 2.2. Supplemental Resolution. (A) Each Series of Bonds shall be issued under a Supplemental Resolution adopted by the Board pursuant to this Article and Article IX. The Supplemental Resolution shall designate the Bonds by an appropriate series designation in addition to the title "Electric System Revenue Bonds," and shall also specify: (1) the authorized principal amount of the Series of Bonds; (2) the purpose or purposes for which the Series of Bonds is being issued, and, if the Bonds are being issued to pay Project Costs, the Project or Projects for which the Bonds are being issued, and, if the Bonds are being issued for more than one purpose or Project, the principal amount being issued for each purpose or Project; (3) the date of the initially issued Bonds of the Series; (4) the Bonds which are designated as Term Bonds (if any) and the maturity dates and sinking fund installment dates of the Bonds; (5) the interest payment dates for the Bonds; (6) the interest rate or rates of the Bonds, or the manner of determining the rate or rates; (7) the redemption prices of the Bonds; (8) the place or places of payment of the Bonds; (9) the

provisions for the sale of the Bonds; (10) whether any of the Bonds are being issued as Taxable Bonds; (11) any other provisions which may be required to be inserted by other provisions of the Resolution; and (12) any other necessary or desirable provision not in conflict with the provisions of the Resolution. Notwithstanding anything to the contrary, the foregoing matters may be covered for a Series of Bonds by either one or more than one Supplemental Resolution.

Section 2.3. Conditions for the Issuance of Additional Bonds.

(A) Except as otherwise provided in this Section, each Series of Additional Bonds shall be issued only upon receipt by the Trustee of:

(1) (a) A certificate of the Department, executed on its behalf by an Authorized Officer, that to the best of the knowledge and belief of the Authorized Officer no Event of Default exists and (b) a certificate of the Trustee that there is no Event of Default of which it has knowledge;

(2) If Additional Bonds are being issued to pay Project Costs of a Project, a certificate of the Consulting Engineer stating: (a) the then estimated Date of Commercial Operation of the Project; (b) the then current estimate of the Project Costs of the Project; (c) that the Project is consistent with Prudent Utility Practice; and (d) that the Net Revenues for each of the five (5) Bond Years, beginning with the first Bond Year in which a portion of the principal on the Additional Bonds is not paid from the proceeds of the Additional Bonds, will be at least equal to one hundred twenty percent (120%) of the Maximum Annual Debt Service on all other Bonds then outstanding, on the Additional Bonds then being issued, on Unissued Bonds and any other general obligations and revenue obligations of the Department which are or will be payable from Revenues in the Bond Year in which the Bonds are being issued or in any subsequent Bond Year; and

(3) A certified copy of the Supplemental Resolution providing for the issuance of the Additional Bonds; and

(4) An opinion of counsel to the Department that the conditions precedent to the issuance of the Additional Bonds have been satisfied or waived.

(B) The certification required by clauses (c) and (d) of paragraph (2) of paragraph (A) of this Section shall not be required if:

(1) Bonds shall have previously been issued for the Project (except pursuant to paragraph (C) of this Section);

(2) Bonds have been authorized, and bond anticipation notes issued, for the Project prior to the adoption of this Resolution; or

(3) The Consulting Engineer certifies to the Trustee that the Project is

necessary to maintain the operational status of any facilities of the Electric System, whether it is necessitated by casualty, regulatory or licensing requirements or other cause.

(C) The certificate required by subparagraph (2) of paragraph (A) of this Section shall not be required in connection with the issuance of Bonds to pay preliminary Project Costs of a Project, which for this purpose shall mean Project Costs not exceeding ten percent (10%) of the total estimated Project Costs of the Project as certified by the Consulting Engineer to the Trustee, provided that Additional Bonds shall not be issued under this paragraph which, upon the issuance of the same, would cause the amount of Additional Bonds outstanding under this paragraph for Projects not certified under subparagraph (2) of paragraph (A) to exceed five per cent (5%) of the total amount of Bonds outstanding under the Resolution.

(D) The certificate required by subparagraph (2) of paragraph (A) shall not be required in connection with the issuance of Bonds to refund Bonds so long as there is no increase in the Maximum Annual Debt Service for any Fiscal Year during which Bonds not being refunded will be Outstanding but shall be required in the case of Bonds issued to refund other obligations (including the issuance of Bonds to retire notes issued in anticipation of Bonds) as if the Bonds were being issued for the Projects financed by the prior obligations.

(E) In certifying under subparagraph (2) of paragraph (A) of this Section, the Consulting Engineer may make such assumptions and projections as it deems reasonable with respect to the issuance of Unissued Bonds, general obligation bonds or other revenue obligations, rate, costs, and commencement or termination of operation of facilities and other matters.

(F) If Bonds are being issued to pay Project Costs of a Project which has been discontinued, references in this Section to the Date of Commercial Operation shall be deemed to refer to the date of issuance of the Bonds, in lieu of the certification required by clause (c) (if applicable) of subparagraph (2) of paragraph (A), the Consulting Engineer shall certify that the discontinuance is consistent with Prudent Utility Practice. Such certification shall not be required, however, in the case of discontinuance of a jointly owned Project pursuant to the applicable ownership agreement.

(G) In the event that all the Outstanding Bonds are owned by the Vermont Municipal Bond Bank (the "Bond Bank"), then (i) the certificate required by clause (b) of subparagraph (A)(1) of this Section shall not be required to the extent there is not then a Trustee hereunder and (ii) the Bond Bank may, but shall not be required to, waive all or any portion of the requirements of subparagraph (2) of paragraph (A) of this Section.

Section 2.4. Disposition of Bond Proceeds. Upon the delivery of a Series of Bonds the proceeds shall be paid to the Trustee and be dealt with as follows:

(A) There shall be deposited in the Debt Service Reserve Fund the amount required, if

any, by the Supplemental Resolution authorizing such Series of Bonds.

(B) Where Bonds are issued to refund prior obligations, the proceeds required to pay the principal of the prior obligations, together with any redemption premium on the same, any interest and commitment or facility fee accrued or to accrue to the date of payment of the prior obligations, the expenses of issue of the Bonds and the expenses of redeeming the prior obligations shall be used for those purposes and may be deposited in trust for these purposes free and clear of the lien of this Resolution.

(C) The Trustee may pay expenses of the issue not provided for above directly.

(D) The balance of the proceeds shall be deposited in the Construction Fund.

Section 2.5. Subordinate Lien Obligations. Notwithstanding anything to the contrary in the Resolution, the Department may issue bonds, notes or other evidences of indebtedness for the purposes of the Electric System payable from the Revenue Fund and the revenues, subordinate to the deposits and credits required to be made from the Revenue Fund to other funds and accounts under the Resolution and to the payments required for Operating Expenses, and may secure the bonds, notes or other evidences of indebtedness by a pledge of the net revenues (as defined in the Act) inferior to the pledge of the Net Revenues created by the Resolution. The proceeds of the inferior obligations may be pledged as security for the inferior obligations free and clear of the lien of the Resolution. The Department shall notify the Trustee of the proposed issuance of inferior obligations.

Section 2.6. Partially Amortized Bonds. In the case of Partially Amortized Bonds, the Supplemental Resolution providing for their issuance may provide that the unamortized portion shall not be treated as principal for the purpose of calculating payments into the Debt Service Fund pursuant to Section 5.3(C) although the obligation to pay the same shall be treated as principal for the purposes of Section 8.1(1), Section 8,4 and Section 11.1. The Department shall finance the unamortized portion by the issuance of refunding Bonds in accordance with this Article, by using moneys in the Special Redemption Fund in accordance with Section 5.9 (treating payment as redemption), by using moneys in the Revenue Fund in accordance with clause Fifth of Section 5.2, by other lawful means, or by a combination of the foregoing. If partially Amortized Bonds are issued the Supplemental Resolution shall set forth the estimated date of expiration of the useful life of the Project (not to exceed thirty (30) years) to which the Bonds are attributable. If a Series of Bonds is attributable to more than one Project, it may be subdivided for the purposes of this Section. Until payment of the unamortized portion (or provision for payment pursuant to Section 11.1) Maximum Annual Debt Service shall be calculated by treating the useful life of the Project, on a level annual Debt Service basis, with interest payable semiannually at a rate equal to the net interest cost of the Series.

ARTICLE III
GENERAL TERMS AND PROVISIONS

Section 3.1. Form of Bonds Generally. The definitive Bonds of each Series hereunder are issuable as fully registered Bonds and shall be substantially in the forms set forth in the Supplemental Resolution authorizing the issuance of such Bonds. All such Bonds may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Bonds may be listed or traded or any usage or requirement of law with respect thereto or as may be authorized by the Board and approved by the Trustee.

Section 3.2. Details of Bonds. The Bonds of each Series issued under the provisions of this Resolution shall be dated, shall be stated to mature (subject to any right of prior redemption) at such times, shall be made redeemable (subject to the provisions of Article IV of this Resolution), shall be in such authorized denominations, designated and numbered and shall have such further details as may be provided in the Supplemental Resolution adopted by the Board with respect to such Series of Bonds.

The Bonds issued under this Resolution shall be limited obligations of the Department payable solely and only from and secured by the Net Revenues specifically pledged thereto pursuant to the Supplemental Resolution authorizing the issuance of such Series of Bonds. Each such Bond shall contain the following legend:

THE BONDS SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF THE TOWN WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION BUT SHALL BE LIMITED OBLIGATIONS OF THE TOWN PAYABLE SOLELY FROM, AND SECURED SOLELY BY, THE PLEDGE AND LIEN ON THE NET REVENUES SPECIFICALLY PLEDGED THERETO PURSUANT TO THE SUPPLEMENTAL RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE TOWN, THE STATE OF VERMONT OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR PREMIUM (IF ANY) ON THE BONDS AND NEITHER THE STATE OF VERMONT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE TOWN, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR PREMIUM (IF ANY) THEREON.

Unless otherwise provided in the Supplemental Resolution with respect to a particular Series of Bonds, the principal amount of any Bond shall be payable upon surrender thereof at the principal corporate trust office of the Paying Agent. Such payments shall be made to the registered owner of the Bond so surrendered, as shown on the Bond Register on the date of payment, or such registered owner's legal representative.

Section 3.3. Authentication of Bonds. Only such of the Bonds as shall have endorsed thereon a certificate of authentication, duly executed by the Trustee, shall be entitled to any benefit or security under this Resolution. No Bond shall be valid or

obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The Trustee's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all the Bonds that may be issued hereunder at any time. In the event that the Bond Bank is the holder of all Outstanding Bonds, the Bonds may be authenticated by the Bond Bank in lieu of a certificate of authentication of the Trustee.

Section 3.4. Execution and Form of Bonds. Except as otherwise provided in the Supplemental Resolution providing for their issuance, (i) the Bonds shall be signed in the name of the Department by an Authorized Officer (which signature may be in facsimile if the authentication of the Trustee is manually signed); and (ii) the seal of the Department (if any) shall be impressed or a facsimile thereof imprinted or reproduced on the Bonds. In case any officer of the Department whose signature appears on any Bond ceases to hold office before the delivery of the Bond, his or her signature shall, nevertheless, be valid and sufficient for all purposes as if he or she had remained in office until the delivery. The Bonds issued under the provisions of this Article, the statement and the Trustee's certificate of authentication to be endorsed on all Bonds, shall be, respectively, substantially in the forms provided in the Supplemental Resolution authorizing such Bonds, with such appropriate variations, omissions and insertions as may be required or permitted by such Supplemental Resolution.

Section 3.5. Transfer, Registration and Exchange of Bonds. The Department shall cause books (the "Bond Register") for the registration and for the registration of transfer of the Bonds as provided in this Resolution to be kept by the Trustee. The transfer of any Bond may be registered only upon the Bond Register kept by the Trustee for the registration of or registration of transfer of Bonds upon surrender thereof to the Trustee, together with an assignment duly executed by the registered owner or their legal representative in such form as shall be satisfactory to the Trustee.

The Bond Register held by the Trustee or other designated register shall be confidential, and the information contained therein shall not be available to the public. Upon any registration of transfer of any Bond, an Authorized Officer, if necessary, shall manually execute and the Trustee shall authenticate and deliver in exchange for such Bond a new Bond or Bonds registered in the name of the transferee, for an equal aggregate principal amount of Bonds of the same Series, type and maturity of any authorized denomination. No charge shall be made to any Bondowner for the privilege of registration and registrations of transfer hereinafter granted or for exchange of Bonds, but any Bondowner requesting any such registration or registration of transfer exchange shall pay any tax or other governmental charge required to be paid with respect thereto. The Trustee shall not be required to make any exchange or registration of transfer during the period commencing on the Regular Record Date with respect to each interest payment date of such Bond or after such Bond has been selected for redemption.

Section 3.6. Ownership of Bonds. The person in whose name any Bond shall be

registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal amount of any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

Section 3.7. Exchange of Bonds. Bonds, upon surrender thereof at the principal office of the Trustee, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series, type and maturity, of any authorized denomination.

The Department shall make provision for the exchange of the Bonds at the principal office of the Trustee.

Section 3.8. Provision for Book Entry System. The Bonds may be subject to a book-entry only system of ownership as provided for in the Supplemental Resolution authorizing the issuance of a Series of Bonds.

Section 3.9. Temporary Bonds. Until the definitive Bonds of any Series are ready for delivery, there may be executed, and the Trustee may authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions except as to identifying numbers, temporary printed, engraved, lithographed or typewritten Bonds in authorized denominations, substantially of the tenor hereinabove set forth, and with appropriate omissions, insertions and variations as may be required. The Department shall cause the definitive Bonds to be prepared and to be executed, endorsed, authenticated and delivered to the Trustee, and the Trustee, upon presentation to him of any temporary Bond shall cancel the same and authenticate and deliver, in exchange therefore, at the place designated by the owner, without expense to the owner, a definitive Bond or Bonds of the same Series and in the same aggregate principal amount, maturing on the same date as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit of this Resolution as the definitive Bonds to be issued and authenticated hereunder.

Section 3.10. Mutilated, Lost or Destroyed Bonds. In case any Bonds secured hereby shall become mutilated or destroyed or lost, the Department may cause to be executed, and the Trustee may authenticate and deliver, a new Bond of like date, number and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed or lost, upon owner's paying the reasonable expenses and charges of the Department in connection therewith and, in the case of a Bond destroyed or lost, his filing with Trustee evidence satisfactory to the Trustee that such Bond was destroyed or lost, and of such owner's ownership thereof, and furnishing the Department with indemnity satisfactory to it.

ARTICLE IV
REDEMPTION OF BONDS

Section 4.1. Redemption Generally. The Bonds of each Series or portion thereof issued under the provisions of this Resolution shall be subject to redemption, either in whole or in part and at such times and Redemption Prices, as may be provided in the Supplemental Resolution authorizing the issuance of such Bonds.

If less than all of the Bonds of any type and maturity of a Series or portion thereof shall be called for redemption, the particular Bonds of such type, maturity and Series to be redeemed shall be selected in such manner as the Board in its discretion may determine at the time such Bonds are to be selected or as determined by the Board in the Supplemental Resolution authorizing the issuance of such Bonds; provided, however, that the purchase or redemption of the Bonds of any Series with insurance proceeds shall be in inverse order of maturity.

Section 4.2. Notice of Redemption. At least thirty (30) days before the redemption date, or at such time or times as the Board may establish in the Supplemental Resolution authorizing the issuance of any Series of Bonds or portion thereof hereunder, a notice of any such redemption, either in whole or in part, signed by the Trustee shall be mailed, postage prepaid, to all registered owners of Bonds to be redeemed at their addresses as they appear on the Bond Register but failure to mail any such notice or any defect therein as to any such Bond shall not affect the validity of the proceedings for such redemption as to any other Bond. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid, and, if less than all the Bonds of a Series then Outstanding shall be called for redemption, the number of such Bonds.

Section 4.3. Effect of Calling for Redemption. On the date so designated for redemption, notice having been mailed in the manner and under the conditions hereinabove provided, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date, and, moneys for payment of the redemption price being held in separate accounts by the Trustee or by the Paying Agents in trust for the owners of the Bonds to be redeemed, all as provided in the Supplemental Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Section 4.4. Cancellation. Bonds so called for redemption shall be cancelled upon the surrender thereof.

Section 4.5. Bonds Called For Redemption Not Outstanding. Bonds which have been duly called for redemption under the provisions of this Article, or with respect to which irrevocable instructions to call for redemption at a selected redemption date have been given to the Trustee, in form satisfactory to it, and for the payment of the redemption price of which sufficient moneys, or Government Obligations in such amounts, bearing interest at such rates and maturity (without option of prior payments) at such dates that the proceeds

thereof and the interest therein will provide sufficient moneys, shall be held in separate accounts by a bank or other financial institution with trust powers or by the Trustee or Paying Agents in trust for the owners of the Bonds to be redeemed, all as provided in this Resolution, shall not be deemed to be Outstanding under the provisions of this Resolution and shall cease to be entitled to any benefit or security under this Resolution other than to receive payment of the Redemption Price from such moneys.

Section 4.6. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Department shall execute, and the Bond Registrar shall authenticate and deliver to the owner thereof, at the expense of the Department, a new Bond or Bonds of the same Series and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Section 4.7. Redemption of Bonds Held by the Bond Bank. The Supplemental Resolution authorizing the issuance of any Series of Bonds may provide, if Bonds held by the Bond Bank are to be redeemed prior to maturity other than through scheduled sinking fund installments whether from moneys in the Special Redemption Fund, from the proceeds of insurance pursuant to Section 7.5 hereof or from any other source, and the Bond Bank has its own bonds outstanding which are not at the time callable, the proceeds of which were used by the Bond Bank to purchase the Bonds, for payments to the Bond Bank in amounts in excess of the redemption price of the Bonds so as to ensure that sufficient moneys will be available to the Bond Bank to pay principal of its bonds when due.

ARTICLEV
PLEDGE OF NET REVENUES; SPECIAL FUNDS AND ACCOUNTS

Section 5.1. Pledge of Net Revenues. The Net Revenues are hereby pledged to secure the payment of the principal or redemption price of the Bonds and the performance of the undertakings of the Department in the Resolution. All moneys held in the Accounts and Funds established hereunder shall be held in trust by the Trustee for the benefit of the owners of the Bonds until applied as provided herein. The Bonds are equally and ratably secured by the pledge, and the undertakings of the Department in the Resolution are for the equal and proportionate benefit of the owners, except as otherwise expressly provided in the Resolution.

The Net Revenues and Funds and Accounts established herein are hereby pledged to and for the benefit of the Bond Bank as the initial and sole holder of the Bonds. At such time as the Department intends to issue Additional Bonds under the Resolution to any Person other than the Bond Bank, the Department and the Bond Bank shall appoint a Trustee as set forth in Article VI hereof.

Section 5.2. Revenue Fund. (A) There is hereby established a special trust fund of the Department to be held by the Trustee and to be known as the "Electric System Revenue Fund." The Department shall pay all the Revenues into the Revenue Fund as promptly as practicable after receipt (other than the Revenues expressly required or permitted by the Resolution to be credited to or deposited in any other Fund or Account). All moneys in the Revenue Fund shall be held in trust and applied only as provided in this Resolution.

The moneys in the Revenue Fund shall be applied in the following order of priority:

First, to the payment of the Operating Expenses of the Electric System;

Second, to payment of the amounts required to be paid from the Revenue Fund into the Debt Service Fund, Debt Service Reserve Fund, if any, and Special Redemption Fund;

Third, if any Bonds outstanding are then held by the Bond Bank, to the payment of any other amounts and fees due and owing to the Bond Bank;

Fourth, for the purpose of making such extraordinary repairs and improvements as are necessary to the operation of the Electric System in accordance with Prudent Utility Practice; for the payment of obligations (other than Bonds) issued by the Department for the purposes of its Electric System; and for payments to the Town of or in lieu of taxes on the Electric System; the priority of payments within this clause to be in such order as is consistent with the rights of the persons entitled thereto; and

Fifth, for any other lawful purpose of the Electric System.

Before applying moneys in the Revenue Fund as provided in any of the foregoing paragraphs, the Department may reserve sufficient moneys, together with reasonably expected Revenues, to meet the Operating Expenses of the Electric System for a period of up to 60 days.

Section 5.3. Debt Service Fund. There is hereby established a special fund of the Department to be held by the Trustee and to be known as the "Electric System Revenue Bond Debt Service Fund." The moneys in the Debt Service Fund shall be held by the Trustee in trust and applied as hereinafter provided and, pending such application, shall be subject to a lien and charge in favor of the owners of the Bonds issued and Outstanding under the Resolution until paid out or transferred as herein provided.

(A) The Trustee shall create a separate account in the Debt Service Fund to be known as the "Interest Account" which shall be used to pay the interest on the Bonds. Not later than the twenty-fifth day of the sixth calendar month before the date upon which an installment of interest on the Bonds of a Series falls due, and on or before the twenty-fifth day of each calendar month thereafter until the installment falls due, the Department shall pay from the Revenue Fund into the Interest Account an amount equal to one-sixth of the installment of interest coming due. The Department shall also transfer from the Revenue Fund to the Interest Account any amount required to pay interest on overdue principal.

(B) The Trustee shall create a separate account in the Debt Service Fund to be known as the "Principal Account" which shall be used to pay the principal of Serial Bonds. Not later than the twenty-fifth day of each month the Department shall transfer from the Revenue Fund into the Principal Account an amount equal to one-twelfth of the installment of principal coming due on the next succeeding principal payment date. The Department shall also transfer from the Revenue Fund to the Principal Account any amount required to

pay principal of Serial Bonds which has been accelerated pursuant to Section 8.2.

(C) The Trustee shall create a separate account in the Debt Service Fund to be known as the "Sinking Fund Account" shall be used to pay the principal or sinking fund installments on Term Bonds. Not later than the twenty-fifth of each month the Department shall transfer from the Revenue Fund into the Sinking Fund Account an amount which for each Series shall be equal to the principal amount of the Term Bonds of each Series then Outstanding required to be retired in satisfaction of the sinking fund installment, if any, on the next succeeding principal payment date (less, unless otherwise provided herein, any amounts previously paid or provided to pay the principal amount of such Term Bonds) divided by the number of months intervening between the first day of the month in which such calculation is made and the next succeeding principal payment date. The Department shall also transfer from the Revenue Fund to the Sinking Fund Account any amount required to pay principal of Term Bonds which has been accelerated pursuant to Section 8.2. The Trustee shall call Term Bonds for redemption on the sinking fund installment date to the extent of the sinking fund installments coming due. The Department may apply moneys on deposit in the Sinking Fund Account for a sinking fund installment on Term Bonds of a particular Series and maturity to the purchase of the Term Bonds of such Series and maturity, at a price not exceeding the applicable sinking fund redemption price, at least sixty (60) days before the sinking fund installment date, and these purchases shall be credited against the sinking fund installment at the applicable sinking fund redemption price.

The Department may also purchase Term Bonds then subject to sinking fund redemption with other available funds at any price and credit term against a sinking fund installment applicable to them at the applicable sinking fund redemption price by delivering them to the Trustee for cancellation at least sixty (60) days before the sinking fund installment date.

Section 5.4. Debt Service Reserve Fund. There is hereby established a special reserve fund of the Department to be held and administered by the Trustee and to be known as the "Electric System Revenue Bond Debt Service Reserve Fund." The purpose of the Debt Service Reserve Fund is to provide a reserve for the payment of the principal or redemption price on any Series of Bonds as may be deemed appropriate at the time of issuance of such Series of Bonds.

The Supplemental Resolution providing for the issuance of a Series of Bonds may provide for the establishment of a separate account to be maintained in the Debt Service Reserve Fund. If the Supplemental Resolution provides for the establishment of such an account, it shall also provide for the manner in which it shall be funded, which may be from proceeds of the sale of the Series of Bonds, a Credit Facility, an equity contribution or any other method as set forth in the Supplemental Resolution. It shall provide for the replenishment of any deficiencies in such account, the valuation of such account, the application of any investment earnings in such account and any other particular of such account as the Department deems appropriate. Amounts in any account in the Debt Service Reserve Fund shall be used only for the benefit of the owners of the Series of Bonds which were issued pursuant to the Supplemental Resolution establishing such account and not for

the benefit of the owners of any other Series of Bonds.

In lieu of the deposit of moneys in the Debt Service Reserve Fund, or in substitution of moneys previously deposited therein, the Department at any time may cause to be credited to the Debt Service Reserve Fund, from a Qualified Financial Institution, a Credit Facility for the benefit of the Owners of the Bonds equal to the difference between the Debt Service Reserve Fund Requirement and all other amounts then on deposit (or, in the case of substitution of moneys previously on deposit therein, the amount remaining on deposit) in the Debt Service Reserve Fund. Any funds in the Debt Service Reserve Fund that are subsequently replaced by a Credit Facility shall be transferred by the Trustee to the Special Redemption Fund or the Construction Fund, as the Department shall direct; provided that the Department may direct the Trustee to transfer such funds to any other Fund or Account under this Resolution or otherwise upon advice from bond counsel to the effect that such transfer will not adversely affect the tax-exempt nature of the interest on any series of Bonds Outstanding. The Credit Facility shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Bonds of such Series and such withdrawals cannot be made by amounts credited to the Debt Service Reserve Fund.

Any Credit Facility shall be provided by a Qualified Financial Institution. If a disbursement is made pursuant to a Credit Facility provided pursuant to this paragraph the Department shall be obligated either (i) to reinstate the maximum limits of such Credit Facility or (ii) to deposit funds into the Debt Service Reserve Fund in accordance with this Section 5.4, or a combination of such alternatives, as shall provide that the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement. If the Department elects to substitute a Credit Facility for moneys deposited in the Debt Service Reserve Fund, the Department shall give notice of such substitution to all rating agencies then rating the Bonds.

ANY CREDIT FACILITY DEPOSITED IN THE DEBT SERVICE RESERVE FUND WITH RESPECT TO AN OUTSTANDING SERIES OF BONDS AND THAT REIATED SERIES OF BONDS SHALL BE DISREGARDED IN DETERMINING THE DEBT SERVICE RESERVE FUND REQUIREMENT FOR OTHER BONDS OUTSTANDING UNDER THE RESOLUTION.

Section 5.5. Construction Fund. There is hereby established a special trust fund of the Department to be held by the Trustee and to be known as the "Electric System Construction Fund." Moneys in the Construction Fund shall be applied to the payment of Project Costs of the respective Projects for which the Bonds are issued. Before any payment is made for this purpose from the Construction Fund, the Department shall file with the Trustee a written order, signed by an Authorized Officer and stating (i) the name and address of the person to whom the payment is due, (ii) the amount to be paid, (iii) that the items to be paid have been incurred by the Department, that each item is a proper item for payment from the Construction Fund and that the amount to be paid has not already been paid from any Fund or Account maintained by the Trustee under the Resolution, and (iv) if

payment is to be made to the Department, that the Department has advanced payment for the item from other funds.

Section 5.6. Working Capital. Where Bond proceeds are to be used to provide working capital, they may be transferred to the Revenue Fund upon receipt by the Trustee of a certificate of an Authorized Officer to the effect that they are not needed for other Project Costs and that they are reasonably needed to provide for Operating Expenses or other costs relating to the Electric System not otherwise provided by Bond proceeds.

Section 5.7. Project Completion. As soon as practicable after the Date of Commercial Operation, the Department shall file a certificate with the Trustee stating that the Electric System has been completed, giving its Date of Commercial Operation, and setting forth any remaining Project Costs of the Project (including contingencies and disputed items) to be paid from the Construction Fund. Any balance of moneys in the Construction Fund not needed to pay the remaining Project Costs shall be deposited first into the Debt Service Reserve Fund to the extent necessary to cause the amount in the Debt Service Reserve Fund to equal the Debt Service Reserve Fund requirement and the balance shall be transferred to the Special Redemption Fund or retained in the Construction Fund for the purpose of paying Project Costs of other Projects, as the Department may determine. As soon as practicable after final payment of the Project Costs of a Project financed by Bonds, the Consulting Engineer shall file a certificate with the Trustee and the Board stating that no Project Costs of the Project remain to be paid from the Construction Fund and any balance of moneys for the Project then in the Construction Fund shall be transferred or retained in the foregoing order of priority.

Section 5.8. Special Redemption Fund. There is hereby established a special trust fund of the Department to be held by the Trustee and to be known as the "Electric System Special Redemption Fund." Moneys in the Special Redemption Fund shall be applied by the Trustee as soon as practicable to the purchase or redemption of Bonds. The purchase price (excluding accrued interest) shall not exceed the earliest available redemption price (excluding accrued interest).

Except as otherwise provided in the Supplemental Resolution providing for the issuance of a Series of bonds for a Project, moneys in the Special Redemption Fund borrowed for or attributable to the Project shall be used to purchase or redeem Bonds of that Series (to the extent issued for that Project), and if more than one Series of Bonds has been issued for the Project, the Trustee shall select the Series to be redeemed as directed by the Department (or in its discretion of no direction is received).

Moneys in the Special Redemption Fund not borrowed for a Project or attributable to a Project financed with Bonds shall be used to purchase or redeem Bonds of such one or more Series as may be directed by the Department (or selected by the Trustee in its own discretion if no direction is received).

Nothing in this Section shall be deemed to authorize redemption of any Series of Bonds otherwise than in accordance with their terms.

Section 5.9. Investment of Funds.

(A) Moneys in the Revenue Fund not needed for immediate disbursement shall be invested by the Department as permitted by law.

(B) Other moneys held by the Department or by the Trustee which are not needed for immediate disbursement shall, to the extent practicable and reasonable, be invested in Investment Securities by the Department, or the Trustee as directed by the Department (or in the discretion of the Trustee if no direction is received from the Department), subject to the following:

(1) Moneys in the Debt Service Fund shall be invested in Investment Securities maturing or subject to redemption at the option of the Department on or before the dates when the moneys will be required for expenditure.

(2) Moneys in the Debt Service Reserve Fund shall be invested in Investment Securities maturing or subject to redemption at the option of the owner within ten years from the date of investment.

(3) Moneys in the Construction Fund shall be invested in Investment Securities maturing or subject to redemption at the option of the owner on or before the dates when the moneys are expected to be required for expenditure. Any investment directed by the Trustee shall be made with due regard to the most recent estimates of amounts expected to be disbursed from time to time to pay Project Costs from the Construction Fund.

(4) Moneys in the Special Redemption Fund, when invested by or at the direction of the Department, shall be invested in Investment Securities maturing or subject to redemption at the option of the owner on or before the dates when the moneys are expected to be required for expenditure.

(5) Moneys in several Funds or Accounts may be invested in undivided interests in the same Investment Securities if they are otherwise eligible for each of the several funds or accounts. Investment Securities may be transferred in kind at fair market value when deposits or transfers are required if they are eligible for the transferee or depository Fund or Account.

(6) If invested moneys in a fund or account are required for expenditure or transfer, they shall be sold or redeemed to the extent necessary. Investment Securities may be sold at their fair market value by one fund or account to another if eligible for investment by the latter.

(C) Except as otherwise provided below, all income from the investment of any Fund or Account established under the Resolution (including net profit from the sale of any investment) shall be deposited in the Revenue Fund. Income from investment of the Special

Redemption Fund shall accrue to it except that any income not needed to pay or redeem Bonds shall be subject to the provisions of the preceding sentence. For the period until the Date of Commercial Operation (or until the Project is discontinued pursuant to Section 7.12) income accruing from investment of the proceeds of Bonds which have been deposited in the Interest Account, Principal Account, the Construction Fund, and the Debt Service Reserve Fund, including income on the income, shall when received be deposited in the Construction Fund, or, if so directed by the Department, in the Interest Account, or as otherwise provided by the Supplemental Resolution under which the Bonds are issued. Any loss from investment of a fund or account shall be charged to the fund or account, but unless otherwise made up, shall be set off against income from investment of the fund or account which would otherwise be deposited in another fund or account. In addition, any loss from investment of the Debt Service Fund, the Debt Service Reserve Fund, and the Construction Fund (in that order) shall, unless otherwise made up, be made up by the transfer of income from investment of any fund or account other than the Revenue Fund.

(D) Investments shall be valued at the lower of market or cost (plus amortized discount of minus amortized premium but excluding accrued interest to the date of purchase) plus accrued interest to the date as of which they are valued.

Section 5.10. Bond Bank as Only Bondowner – Deposit Account Control. In the event that the Bond Bank is the holder of all Outstanding Bonds, the Debt Service Fund, the Debt Service Reserve Fund, the Construction Fund, the Special Redemption Fund, and the Revenue Fund may be held by a bank designated by the Department (and acceptable to the Bond Bank) and subject to one or more deposit account control agreements in favor of the Bond Bank.

ARTICLE VI
TRUSTEEAND PAYING AGENTS

Section 6.1. Qualifications and Appointment: Resignation or Removal. The Trustee shall be a trust company or bank having the powers of trust companies within or outside of the State of Vermont. The Trustee shall have a combined capital and surplus of not less than Twenty Million Dollars ($20,000,000). The initial Trustee shall be appointed by the Department by Supplemental Resolution; provided that, so long as the Bond Bank is the sole Owner of all of the Outstanding Bonds and the provisions of Section 5.1 are satisfied, the Department shall not be required to appoint an initial Trustee. To the extent that anything in this Resolution requires the consent of, filing with, or action by the Trustee during any time that the Bond Bank is the sole Owner of all of the Outstanding Bonds and there is no Trustee appointed, the Bond Bank shall be entitled to give such consent, receive such filing, or take such action. At such time as the Department intends to issue Additional Bonds under the Resolution to any Person other than the Bond Bank, the Department and the Bond Bank shall identify a Trustee meeting the qualifications under this Article IV. Subject to the consent of the Bond Bank, the Department shall then appoint, by Supplemental Resolution, a Trustee under this Article IV. The funds and accounts held by the Bond Bank or held by another bank and controlled by the Bond Bank under a deposit account control agreement shall be transferred to such Trustee for the benefit of the Owners of all Outstanding Bonds.

The appointment of a Trustee and transfer of such funds and accounts shall be a condition precedent to the issuance of such Additional Bonds.

The Trustee may resign on not less than sixty (60) days' notice given in writing to the Department and published in accordance with Section 13.6.

If a Trustee ceases to be eligible, or becomes incapable of acting, or is adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property is appointed, or a public officer takes the control of the Trustee or of its property or affairs, (a) the Department may remove the Trustee by written notice to the Trustee and the Bondowners or (b) any Bondowner, on behalf of himself and all others similarly situated, may petition a court of competent jurisdiction for the removal of the Trustee. The court may thereupon remove the Trustee after such notice, if any, as it may deem proper or as may be required by law.

The Trustee may be removed at any time by the written direction of the owners of a majority in principal amount of the outstanding Bonds.

In the event of the resignation or removal of the Trustee or a vacancy from any other cause, a successor may be appointed by written direction of the owners of not less than a majority in principal amount of the outstanding Bonds. The Department may appoint a successor to fill the vacancy until a new Trustee is appointed by the Bondowners and shall do so if the vacancy occurs before a successor has been appointed by the Bondowners.

If no successor is appointed within fifty (50) days after publication of a notice of resignation, the remaining Trustee, or any Bondowner on behalf of himself and all others similarly situated, may petition a court of competent jurisdiction for the appointment of a successor Trustee. The court may thereupon appoint a successor Trustee after such notice, if any, as it may deem proper or as may be require by law.

A successor Trustee shall execute and deliver to its predecessor and the Department a written instrument accepting appointment and thereupon the successor Trustee shall be vested with all the rights, powers duties and obligations of its predecessor in trust without any further act or conveyance; but the predecessor shall from time to time execute, deliver, record and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

Upon acceptance of appointment the successor Trustee shall publish notice of the succession in accordance with Section 13.6.

Any corporation into which a Trustee may be merged or with which it may be consolidated, or any corporation resulting from a merger or consolidation to which a Trustee is a party, or any corporation to which a Trustee may sell or transfer all or substantially all its corporate trust business, shall be a successor Trustee under the Resolution without further action under this Section.

Notwithstanding anything to the contrary in this Section, an entity shall not become

successor Trustee pursuant to this Section unless it meets the qualifications of the first paragraph of this Section.

Section 6.2. Responsibility of Trustee: Reliance on Certificates and Opinions. Prior to the Trustee having actual knowledge of an Event of Default, and after the curing or waiving of all Events of Default actually known to the Trustee, the Trustee shall not be liable except for the performance of the duties specifically set out in the Resolution. In case of an Event of Default of which the Trustee has actual knowledge, the Trustee shall use the same degree of care and skill in the exercise of the rights and powers vested in it by the Resolution as a prudent person would use in the conduct of her/his own affairs. The Trustee shall not be liable for an error of judgment made in good faith by a responsible officer or officers unless the Trustee was negligent in ascertaining the pertinent facts, or for any action taken or omitted to be taken by it in good faith in accordance with the direction of the owners of not less than a majority in principal amount of the Outstanding Bonds, relating to the time, method and place of pursuing any remedy or exercising any trust or power under the Resolution. The Trustee shall be wholly protected when acting in good faith upon advice of counsel, who may be counsel to the Department.

Section 6.3. Evidence of Compliance with Conditions Precedent. When any action by the Trustee is called for by the Resolution, the Trustee may conclusively rely upon certificates or opinions that it reasonably believes to be genuine conforming to the requirements of the Resolution or Bond Insurance with respect to satisfying any conditions precedent for the action to be taken or it may defer action pending receipt of such additional evidence (if any) as the Trustee may require for the purpose.

Section 6.4. Statements of Funds and Accounts. Not more than 30 days after the close of each Fiscal Year, the Trustee shall furnish to the Department and to any Bondowner filing with the Trustee a written request for the same a statement of (i) the receipts and disbursements of moneys by the Trustee during the Fiscal Year under the Resolution, (ii) the amount held by the Trustee at the end of the Fiscal Year in each Fund or Account under the Resolution, (iii) the investments held by the Trustee in each Fund or Account as of the end of the Fiscal Year, (iv) the principal amount of Bonds purchased by the Trustee during the Fiscal Year from moneys in any Fund or Account under the Resolution and the purchase prices of the Bonds, (v) the principal amount of Bonds redeemed by the Trustee during the Fiscal Year from each Fund or Account and the redemption prices, and (vi) any other information which the Department may reasonably request. The Trustee shall also promptly notify the Department of the making of all required payments to or from the Debt Service Fund other than payments made by or to the Department.

Section 6.5. List of Bondowners. At reasonable times and under reasonable regulations established by the Trustee, the Bond Register may be inspected and copied by the Department or by the owners (or a designated representative thereof) of ten per cent (10%) or more in principal amount of the outstanding Bonds, the ownership of the Bonds and the authority of a designated representative to be evidenced to the satisfaction of the Trustee.

Section 6.6. Trustee May File Proofs of Claims. The Trustee may file such proofs of

claim and other papers or documents as may be necessary or advisable to have claims of the Trustee and of the owners of the Bonds allowed in judicial proceedings relative to the Department, its creditors or its properties.

Section 6.7. Trustee Not Responsible for Acts of the Department. No Representations by Trustee. The Trustee shall not be responsible or have any liability for any act of the Department. The Trustee shall not be responsible for the correctness of any recitals or representations in the Resolution or in the Bonds, all of which are made solely by the Department. The Trustee does not make any representations as to, nor has any responsibility for, the validity of the Resolution or of the Bonds.

Section 6.8. Trustee May Deal in Bonds and Other Indebtedness of the Department. The Trustee and its directors, officers, employees and agents, may buy, sell, hold and deal in any of the Bonds, may join in any action which any owner of a Bond may be entitled to take, and may enter into other commercial or financial relationships with the Department, as if the Trustee was not the Trustee.

Section 6.9. Fees and Expenses of Trustee. The Trustee shall be entitled to reasonable fees and reimbursement by the Department for all expenses (including, but not limited to, attorneys' fees) reasonably incurred by it in the performance of its duties and powers under the Resolution. The Trustee shall have a lien for these fees and reimbursement on the moneys pledged to secure the Bonds and held by it under the Resolution, prior to the lien of the Bondowners. Each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the Department for all expenses reasonably incurred by it in the performance of its duties.

ARTICLE VII
COVENANTS TO SECURE BONDS

Section 7.1. Construction and Maintenance of the Electric System. The Department will operate and maintain the Electric System and make any necessary modifications, additions and betterments to it in accordance with Prudent Utility Practice.

Section 7.2. Rates and Charges.

(A) The Department shall establish and collect rates and charges for Electric collection and all other commodities and services supplied by the Electric System adequate at all times, with other available funds, to provide for the proper operation and maintenance of the Electric System and for the timely payment of the principal of all bonds, notes or other evidences of indebtedness payable from the Revenues and all other required payments in connection with the Electric System.

(B) Without limiting the generality of the foregoing, the Department shall establish and collect rates and charges sufficient so that in each Fiscal Year its Net Revenues will be at least equal to the sum of one hundred twenty per cent (120%) of Debt Service.

(C) Promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the Department shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirements.

The Department further covenants that, if at any time the Net Revenues shall not be sufficient to provide such amounts, it will revise the rates and charges for the services and facilities furnished by the Electric System and, if necessary, it will revise its regulations in relation to the collection of bills for such services and facilities, so that the rates and charges collected in the current and each subsequent twelve-month period will result in Net Revenues sufficient to provide such amounts.

The Department covenants that if, in any twelve-month period, the Net Revenues shall not have been sufficient to provide the amounts set forth in paragraph (B) of this Section, it will, before the 1st day of the third month following the determination of such insufficiency, request the Consulting Engineers to make their recommendations as to a revision of the rates and charges for the use of the services and facilities furnished by the Electric System.

In the event that the Department shall fail to adjust the schedule of rates and charges in accordance with the provisions of this Section, the Trustee, the owners of not less than ten per centum (10%) in principal amount of all Bonds then outstanding may institute and prosecute in a court of competent jurisdiction an appropriate suit, action or proceeding to compel the Department to adjust such schedule in accordance with the requirements of this Section, and the Department covenants that it will adopt and charge rates and charges in compliance with any judgment, order or decree entered in any such suit, action, or proceeding.

Section 7.3. Annual Budget. At least thirty (30) days before the beginning of each Fiscal Year, the Department shall file a preliminary annual operating budget with the Trustee. At least one (1) day before the beginning of each Fiscal Year, the Department shall adopt and file with the Trustee and the Bond Bank the annual operating budget for the Fiscal Year then in progress. The budget shall show projected Operating Expenses, Debt Service and other payments from the Revenue Fund and the Revenues to be available to pay the same. The Department shall not incur aggregate Operating Expenses in any Fiscal Year in excess of the aggregate amount shown in the annual budget as amended and supplemented except in case of emergency and shall promptly file a written report of any such excess expenditure with the Trustee. The Trustee shall have no duty with respect to matters filed pursuant to this Section except to send copies to Bondowners upon request.

Section 7.4. Consulting Engineer. The Department shall retain one or more independent consulting engineers or engineering firms or corporations, having a national reputation for knowledge and experience in analyzing the operations of Electric utility systems, to perform the duties of the Consulting Engineer under the Resolution. The duties of the Consulting Engineer may be performed solely by one or cumulatively by several

persons or firms qualifying as Consulting Engineer. One person or firm serving as Consulting Engineer may rely on a certificate or opinion of another person or firm serving as Consulting Engineer.

In addition to the requirements of Sections 7.2 and 7.3 hereof, at least once in each five (5) Fiscal Years, beginning in the first Fiscal Year following the issuance of Bonds, the Consulting Engineer shall make an examination of and report on the properties and operations of the Electric System, including recommendations as to (i) changes in operation and maintenance, (ii) improvements necessary or desirable to maintain or improve the operating condition of the Electric System and (iii) changes in rates and charges needed to meet the requirements of Section 7.1 or Section 7.2. The report shall state whether there has come to the attention of the Consulting Engineer during its examination any default by the Department with respect to the Resolution or the Bonds, and if so, the nature of the default. A copy of the report shall be filed promptly with the Department, Trustee and sent to any Bondowner filing a written request with the Trustee.

On the filing of the report, the Department shall undertake a review of the business of the Electric System and shall promptly take such action as it finds necessary to cure any default mentioned in the report.

Section 7.5 Insurance. The Department shall carry insurance, to the extent reasonably available, with a responsible insurance company or companies selected by the Department to assume the risk thereof, covering the portions of the Electric System as are customarily insured, and against loss (including loss of revenues) or damage from such causes as are customarily insured against, by companies engaged in similar business.

All such policies shall be for the benefit of the Department and the Trustee as their interests may appear. The proceeds of any and all such insurance received by the Department shall be deposited with the Trustee and shall be subject to the lien and pledge of this Resolution in favor of the owners of the Bonds. No policy naming the Trustee as an insured shall be cancelled without thirty (30) days' notice to the Trustee.

The Department covenants that, except as hereinafter provided in this Section 7.5, immediately after any loss or damage to any portion of the Electric System resulting from any cause, whether or not such loss or damage shall be covered by insurance, it will proceed with, and diligently prosecute, the repairing, replacing or reconstructing (either in accordance with the original or a different design) of the damaged or destroyed property or it shall acquire Improvements, unless it shall determine that the repair, replacement or reconstruction of such property is not essential to the efficient operation of the Electric System; provided however, that should the amount of such loss or damage exceed one percent (1%) of the book value as reported in the most recent audited financial statements of the Electric System, the Department shall receive an opinion of the Consulting Engineers that such repair, replacement or reconstruction or acquisition of such Improvements is not essential to the efficient operating of the Electric System or to the Department's ability to meet the rate covenant contained in Section 7.2 hereof.

Except as hereinafter provided the proceeds of all insurance referred to in this Section shall be available for and shall, to the extent necessary, be applied to the repair, replacement or reconstruction of the damaged or destroyed property or the acquisition of new Improvements and shall be paid out and invested in the manner hereinabove provided for payments and investments held for the credit of the Construction Fund. If the amount of insurance proceeds exceeds five percent (5%) of the Electric System, the Department, may at its option elect to apply all or a portion of any insurance proceeds to the purchase or redemption of Bonds Outstanding in whole at any time, or in part on any interest payment date, in such amounts and of such maturities as directed by the Department and by lot within a maturity; provided, however, that if less than all of the Bonds shall be redeemed, the Department shall first receive and file with the Trustee an opinion from the Consulting Engineers that the repair, replacement or reconstruction of the lost or damaged property is not essential to the efficient operation of the Electric System and that the Net Revenues for each of the five Fiscal Years following such redemption will be sufficient to meet the rate covenant contained in Section 7.2 hereof. In the event the Department elects to redeem bonds, it shall deposit such insurance proceeds in accordance with Section 5.9. The amount paid at the purchase or redemption of any Bond pursuant to this Section shall not exceed the redemption price of such Bond. The purchase or redemption of the Bonds of any Series with insurance proceeds shall reduce the sinking fund requirements, if any, for such Series on a pro rata basis.

All insurance policies shall be open to the inspection of the Bondowners and their representatives at all reasonable times.

Notwithstanding the foregoing provisions of this Section, the Department may institute and maintain self-insurance programs regarding such risks as shall be consistent with the recommendations of a qualified and recognized insurance consultant.

Within sixty days after the close of each Fiscal Year, the Department shall file with the Trustee a certificate describing the insurance then in effect. The Trustee shall have no duty with respect to the certificate except to send copies to Bondowners upon request.

Section 7.6. Not to Encumber or Dispose of the Electric System. The Department shall not sell, mortgage, lease or otherwise dispose of or encumber all or any portion of the Electric System, except that:

(A) The Department may sell, lease, or otherwise dispose of any portion of the Electric System which in the reasonable judgment of the Department has become unserviceable, inadequate, obsolete or worn out or no longer necessary in the operation of the Electric System or which is to be or has been replaced by other property. Proceeds of a sale, lease or other disposition pursuant to this paragraph shall be paid into the Revenue Fund if the balance is not in excess of $250,000 or one per cent of the principal amount of the Outstanding Bonds, whichever is greater. If the proceeds in any year exceed that sum, it shall be deposited, as the Department shall determine, in (i) the Construction Fund for the purpose of paying Project Costs), or (ii) the Special Redemption Fund; provided, however, the Department shall obtain a certificate of a Consulting Engineer that the disposition is in accordance with Prudent

Utility Practice and containing statements required by Section 2.3 (A) (2) (d) as if the date of sale, lease or other disposition were a date of issuance of Bonds.

(B) The Department may sell, lease, or otherwise dispose of any portion of the properties of the Electric System upon filing with the Trustee a certificate of the Consulting Engineer stating that the sale, lease or other disposition is in accordance with Prudent Utility Practice and containing the statements required by Section 2.3 (A)(2)(d) as if the date of the sale, lease or other disposition were a date of issuance of Bonds. Proceeds of a sale, lease or other disposition pursuant to this paragraph shall be paid into the Revenue Fund if it is not in excess of$250,000 or one per cent of the principal amount of the outstanding Bonds, whichever is greater. If the proceeds exceed that sum, they shall be deposited, as the Department shall determine, in the Construction Fund (for the purpose of paying Project Costs of Projects designated by the Department) or the Special Redemption Fund.

(C) In the event that ownership of the Electric System or any part thereof is transferred from the Department by operation of law, any moneys received by the Department as a result shall be paid to the Trustee for deposit in the Debt Service Reserve Fund to the extent necessary to cause the amount in the Fund to equal the Debt Service Reserve Fund Requirement, and any balance, after paying or providing for the costs of termination and decommissioning, shall be paid into the Revenue Fund if such balance is not in excess of $250,000 or one per cent of the principal amount of the Outstanding Bonds, whichever is greater. If such balance exceeds the sum, it shall be paid to the Trustee for deposit in the Special Redemption Account; provided, however, that if the moneys are not deposited in the Special Redemption Fund, the Department shall obtain a certificate of a Consulting Engineer containing the statements required by Section 2.3(A)(2)(d) as if that date of taking or shut down were a date of issuance of Bonds.

(D) The Department may make such transfers of interests in any jointly owned Project as may be required by an applicable ownership agreement and, except as otherwise provided in the ownership agreement, any moneys received by the Department as a result shall be applied as provided in the immediately preceding paragraph.

(E) The Department may apply the Revenues as provided in this Resolution, may encumber the Revenues for the benefit of the Bondowners to the extent and in the manner provided in this Resolution and may otherwise encumber the Revenues to the extent and in the manner provided in Section 2.5.

(F) The Department may encumber the Properties of the Electric System in connection with bonds secured by a subordinate pledge of Net Revenues as set forth in Section 2.5.

Section 7.7. Books of Account: Annual Audit. The Department shall keep proper books and accounts relating to the Electric System. Within one hundred fifty (150) days after the end of each Fiscal Year, the Department shall provide the Trustee a draft financial statement for the Electric System including information provided to the certified public accountant or accounting firm that is conducting the audit as required below: a) balance

sheet including current assets, non-current assets, total assets, current liabilities, non-current liabilities, and net position; and b) a cash flow statement including operating revenues, operating expenses, operating income, non-operating revenues, net income, capital contributions and change in net position. Within two hundred seventy (270) days after the end of each Fiscal Year, the Department shall file with the Trustee an annual audited financial statement, certified by an independent certified public accountant. In addition to other matters required by law or sound accounting or auditing practice, the financial statement shall cover the transactions in the funds and accounts under this Resolution. The report thereon of the accountant shall state whether there has come to the attention of the accountant during its examination any default by the Department with respect to the Resolution or the Bonds and, if so, the nature of the default. A copy of the financial statement and report thereon shall be made available on the Department's website and sent to any Bond Insurer and to any Bond Owner filing a written request with the Trustee.

Section 7.8. Payment of Taxes and Other Claims. The Department shall make timely payments of all taxes, assessments and other governmental charges lawfully imposed upon the Electric System or upon the Revenues, as well as all lawful claims for labor, materials and supplies which, if not paid, might become a lien or charge upon any part of the Electric System, or upon any of the Revenues; but the failure to do so will not be considered a violation of this section so long as the Department is in good faith contesting the validity of the tax, assessment, charge or claim.

Section 7.9. Employees' Liability Coverage. The Department shall require officers, employees or agents of the Department collecting or handling money in connection with the operation of the Electric System to obtain fidelity bonds with responsible surety companies as surety in accordance with Prudent Utility Practice.

Section 7.10. Not to Furnish Free Collection Service. The Department shall not provide Electric generation, distribution or other services from the Electric System free of charge to any person, firm or corporation, public or private. The Department may, however, provide electric generation and distribution service or reduced rates to itself and the Town in lieu of taxes. The Department shall duly enforce the payment of delinquent accounts by filing suits, actions or proceedings or by exercising other remedies, to the extent permitted by law.

Section 7.11. Powers as to Bonds and Pledge. The Department shall proceed with due diligence to carry out and complete the Projects financed by the issuance of Bonds or, in the case of Bonds issued under Section 2.3 (C), to complete the work financed by the Bonds. Notwithstanding the foregoing, the Department may discontinue a Project (or work financed under Section 2.3 (C)) by written notice to the Trustee with a certificate of the Consulting Engineer stating that, by reason of change of circumstance not reasonably expected at the time of issuance of the Bonds, completion of the Project (or work) is no longer consistent with Prudent Utility Practice or, in the case of a jointly-owned Project, the Project may be discontinued as provided in the applicable ownership agreement.

The moneys for the Project in the Construction Fund not needed to pay Project Costs

of the Project (as determined by a certificate of the Consulting Engineer) shall be deposited, as the Department shall determine, in the Construction Fund (for the purpose of paying Project Costs or Projects designated by the Department) or the Special Redemption Fund; provided, however, that if the moneys are not deposited in the Special Redemption Fund, the Department shall obtain an Opinion of Bond Counsel that such application will not adversely affect the tax status of any outstanding Bonds.

ARTICLE VIII
DEFAULTS AND REMEDIES

Section 8.1. Events of Default. There shall be an "Event of Default" if any of the following occurs:

(1) If there is a default in the payment of the principal of or redemption premium, if any, on any of the Bonds when due, whether at maturity or by proceedings for redemption or otherwise.

(2) If the Department defaults in any payment to be made into the Debt Service Fund or the Debt Service Reserve Fund and the default continues for ten (10) days.

(3) If the Department (except as permitted in the Resolution) sells, mortgages, leases or otherwise disposes of or encumbers the Electric System, or makes an agreement to do so or allows any of its franchises or permits necessary for the operation of the Electric System to lapse.

(4) If the Department defaults in the performance of any other covenant or agreement contained in the Resolution and the default continues for one hundred twenty (120) days after written notice to the Department by the Trustee or the Bond Bank or to the Department, the Trustee and the Bond Bank by the owners of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds.

(5) If an order, judgment or decree is entered by a court of competent jurisdiction (i) appointing a receiver, trustee, or liquidator for the Department or the whole or any substantial part of the Electric System, (ii) granting relief in involuntary proceedings with respect to the Department under the federal Bankruptcy Code, or (iii) assuming custody or control of the Department or of the whole or any substantial part of the Electric System under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of the entry of the order, judgment or decree.

(6) If the Department (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver for it or the whole or any substantial part of the Electric System, or (v) consents to the assumption by any

court of competent jurisdiction under any law for the relief of debtors of custody or control of the Department or of the whole or any substantial part of the Electric System.

Section 8.2. Acceleration of Maturities. If an Event of Default occurs and has not been cured, either the Trustee (by notice in writing to the Department), or the owners of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds (by notice in writing to the Department, the Trustee and the Bond Bank), may declare the principal of all Outstanding Bonds and the accrued interest to be due and payable immediately.

Upon the curing of all outstanding Events of Default (other than the payment of principal or interest coming due by reason of the acceleration), unless a final judgment has been obtained for any principal or interest coming due by reason of the acceleration, the owners of not less than 25% in principal amount of the Outstanding Bonds, by written notice to the Department and to the Trustee, may annul the acceleration, or, if the Trustee has acted under a direction from the Bondowners and there has not been delivered to the Trustee a written direction to the contrary by the owners of a majority in principal amount of the Outstanding Bonds, the acceleration shall be deemed annulled.

Section 8.3. Inspection of Books and Records. If an Event of Default occurs and has not been remedied, the books of record and account of the Department relating to the Electric System shall at all times be subject to the inspection and use of the Trustee, the owners of at least twenty-five per cent (25%) in principal amount of the Outstanding Bonds and their agents and attorneys.

Section 8.4. Payment of Funds to Trustee: Application of Funds.

(A) If an Event of Default occurs and has not been remedied, the Department upon demand of the Trustee shall pay over and transfer to the Trustee, or the Bond Bank, if a Trustee has not been appointed, (i) all funds and investments then held by the Department in the Funds and Accounts held by it under this Resolution and (ii) as promptly as practicable all other or subsequent Revenues. After a transfer of a Fund or Account under this paragraph, the Trustee or the Bond Bank, if a Trustee has not been appointed, shall administer the Fund or Account until all Events of Default have been cured.

(B) If at any time the available funds are insufficient for the payment of the principal or redemption price and interest then due on the Bonds, the following Funds and Accounts (other than funds held in trust for the payment or redemption of particular Bonds) shall be used in the order named:

Interest Account
Principal Account
Sinking Fund Account
Debt Service Reserve Fund
Construction Fund

Special Redemption Account

and the Department shall promptly restore from the Revenue Fund pursuant to paragraph Second of Section 5.2 any amount taken for this purpose from any Fund or Account other than the Interest Account, Principal Account or Sinking Fund Account. The moneys shall be applied in the following order of priority:

First, to the payment to all unpaid interest then due (including any interest on overdue principal and, to the extent permitted by law, interest on overdue interest at the same rate) in the order in which the same became due, and, if the amount available is sufficient to pay the unpaid interest which became due on any date in part not but not in full, then to the payment of that interest ratably.

Second, to the payment ratably of the unpaid principal or redemption price then due. Whenever moneys are to be so applied, they shall be applied by the Trustee at such times as it shall determine, having due regard to the amount available and the likelihood of additional moneys becoming available. The Trustee shall give such notice of the date as it may deem appropriate and shall not be required to make payment to the owner of any Bond unless the Bond is presented for appropriate endorsement.

Interest on overdue principal shall accrue and be payable daily but, for the purpose of applying the order of priority prescribed by this section, it shall be treated as if it became due on the regular interest payment dates.

Section 8.5. Suits at Law or in Equity.

(A) Any owner or owners of the Bonds and the Trustee shall have the right in addition to all other rights:

(1) By mandamus or other suit, action or proceedings in any court of competent jurisdiction, to enforce their rights against the Department, the Commissioners, the Board and any other proper officer, agent or employee of any of them including the right to require them to fix and collect rates and charges adequate to carry out any agreement made in the Resolution as to rates and charges, or to carry out the pledge of Revenues made by the Resolution, and to require them to carry out any other covenants or agreements made in the Resolution or in the Bonds and to perform their duties under the Act.

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of the owner or owners of the Bonds.

(B) The Department confers upon the owners of not less than twenty-five per cent (25%) in principal amount of the Outstanding Bonds, subject to compliance with paragraph (C) of this section, and upon the Trustee the right in case of an Event of Default:

(1) by suit, action or proceedings in any court of competent jurisdiction to

obtain the appointment of a receiver of the whole or any part or parts of the Electric System. If a receiver is appointed, he/she may enter and take possession of the same, operate and maintain it, and collect and receive all Revenues arising from it in the same manner as the Department itself might do and shall deposit the Revenues in a separate account or accounts and apply the same in accordance with the obligations of the Department; and

(2) by suit, action or proceeding in any court of competent jurisdiction to require the Department to account as if it were the trustee of an express trust.

(C) All rights of acting under the Resolution may be enforced by the trustee without the possession of any of the Bonds and without producing them at the trial or other proceedings.

(D) The owners of not less than a majority in principal amount of the Outstanding Bonds may direct the time, method and place of conducting any remedial proceeding available to the Trustee, provided that the Trustee is provided with adequate security and indemnity and shall have the right to decline to follow the direction (i) if the Trustee is advised by counsel that the action or proceeding may not lawfully be taken or (ii) if the Trustee determines in good faith that the action or proceeding would involve the Trustee in personal liability or that the action or proceeding would be unjustly prejudicial to the owners of Bonds not parties to the direction.

Section 8.6. Remedies Not Exclusive. No remedy conferred by the Resolution upon the Trustee or the owners of the Bonds is intended to be exclusive of any other remedy, but each shall be in addition to every other remedy given under the Resolution or provided at law or in equity or by statute.

Section 8.7. Waivers of Default. No delay or omission of the Trustee or of any owner of Bonds to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or be construed to be a waiver of the Event of Default. The owners of not less than fifty per cent (50%) in principal amount of the Outstanding Bonds may on behalf of the owners of all the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of the principal or redemption price of and interest on any of the Bonds. No such waiver shall extend to any subsequent or other default.

Section 8.8. Notice of Events of Default. Within sixty (60) days after the occurrence of an Event of Default becomes known to the Trustee by the delivery of written notice to the Trustee, the Trustee shall mail notice of the Event of Default to the Bondowners, in the manner provided in Section 13.3, unless the Event of Default has been cured before the giving of the notice; provided that the Trustee shall give the notice as promptly as the interests of the Bondowners appear to require and shall be protected in withholding notice if the board of directors, the executive committee, or a trust committee of the Trustee determines in good faith that the withholding of the notice is in the interests of the Bondowners.

ARTICLE IX
AMENDING AND SUPPLEMENTING THE RESOLUTION

Section 9.1. Without Consent of Bondowners. The Department may from time to time, without the consent of any Bondowner but with the written concurrence of the Trustee adopt Supplemental Resolutions (i) to provide for the issuance of Additional Bonds pursuant to Article II; (ii) to make changes in the Resolution which may be required to permit the Resolution to be qualified under the Trust Indenture Act of 1939 as amended; (iii) to make provisions relating to the use of income from the investment of Funds and Accounts as permitted by the Resolution; and (iv) for any one or more of the following purposes:

(A) To cure or correct any ambiguity, defect or inconsistency in the Resolution;

(B) To add additional covenants and agreements of the Department for the purpose of further securing the payment of the Bonds;

(C) To limit or surrender any right, power or privilege reserved to or conferred upon the Department by the Resolution;

(D) To confirm any lien or pledge created or intended to be created by the Resolution;

(E) To confer upon the owners of the Bonds additional rights or remedies or to confer upon the Trustee for the benefit of the owners of the Bonds additional rights, duties, remedies or powers; and

(F) To modify the Resolution in any other respects; provided that the modification shall not be effective until after the Outstanding Bonds cease to be Outstanding, or until the Bondowners consent pursuant to Section 9.2.

The provisions of Section 9.2 relating to notice of Supplemental Resolutions do not apply to a Supplemental Resolution adopted under this section except as expressly made applicable by the foregoing clause (F).

Section 9.2. With Consent of Bondowners. With the written concurrence of the Trustee and the consent of the owners of not less than sixty-six and two-thirds per cent (66 and 2/3%) in principal amount of the Outstanding Bonds, the Department may from time to time adopt Supplemental Resolutions for the purpose of making other changes in the Resolution; provided, however, that, without the consent of the owner of each Bond which would be affected, no Supplemental Resolution shall (i) change the maturity date for the payment of the principal of any Bond or the dates for the payment of interest on the Bond or the terms of the redemption of the Bond, or reduce the principal amount of any Bond or the rate of interest on the Bond or the redemption price, (ii) reduce the percentage of consents required under this proviso for a Supplemental Resolution, or (iii) give to any Bond any preference over any other Bond; and provided further that, without the consent of the owners of not less than sixty-six and two-thirds per cent (66 and 2/3%) in principal amount of the outstanding Term Bonds of each Series and

maturity which would be affected, no Supplemental Resolution shall (i) change the amount of any sinking fund installments for the retirement of Term Bonds or the due dates of the installments or the terms for the purchase or redemption of Bonds from the installments, or (ii) reduce the percentage of consents required under this proviso for a Supplemental Resolution.

It shall not be necessary that the consents of the owners of the Bonds approve the wording of the proposed Supplemental Resolution if the consents approve the substance. After the owners of the required percentage of Bonds have filed their consents with the Trustee, the Trustee shall mail notice to the Bondowners in the manner provided in Section 13.3. No action or proceeding to invalidate the Supplemental Resolution or any of the proceedings for its adoption shall be instituted or maintained unless it is commenced within sixty (60) days after the mailing of the notice.

Section 9.3. Notation upon Bonds; New Bonds Issued upon Amendments. Bonds delivered after the effective date of a Supplemental Resolution may bear a notation as to the Supplemental Resolution, by endorsement or otherwise. In that case, upon demand of the owner of any Outstanding Bond and the presentation of the owner's Bond to the Trustee or another Paying Agent, or at such additional office, if any, as the Department may select for the purpose, a suitable notation shall be made on the Bond. If the Department so determines, new Bonds modified to conform to the amendments made by the Supplemental Resolution shall be prepared and executed. Upon demand of the owner of any Outstanding Bond, the new Bond shall be exchanged, without cost to the owner, for the Outstanding Bond, at the corporate trust office of the Trustee.

Section 9.4. Effective Date of Supplemental Resolution. Upon the adoption of a Supplemental Resolution pursuant to this Article and the delivery to the Trustee of an opinion of counsel to the Department that the Supplemental Resolution has been duly adopted and is permitted by the Resolution and will upon taking effect be valid and binding and enforceable in accordance with its terms (subject to exception on account of laws enacted for the relief of debtors and the exercise of judicial discretion), or upon such later date as may be specified in the Supplemental Resolution, the Supplemental Resolution shall take effect and shall be a part of the Resolution.

Section 9.5. Supplemental Resolution Affecting Trustee or Paying Agents. No Supplemental Resolution reducing the rights or enlarging the duties and obligations of the Trustee shall take effect without the written consent of the Trustee or Paying Agent.

ARTICLE X
EXECUTION OF INSTRUMENTS AND EXCLUSION OF BONDS

Section 10.1. Execution of Instruments by Bondowners and Proof of Same. Any action which may be taken under the Resolution by one or more Bondowners may be taken or authorized by an instrument or instruments signed by the owners in person or by agents duly appointed by written instrument. Proof of the signing of an instrument (including an instrument appointing an agent), and of the holding of Bonds, shall be sufficient if made in the following manner:

(A) The fact and date of signing may be proved by the certificate of a notary public or other officer empowered by law to take acknowledgments of deeds (in the state where acknowledgment occurs), to the effect that the person signing the instrument acknowledged to the notarizing individual its execution or may be proved by an affidavit of a witness to the signing.

(B) The ownership of Bonds shall be proved by the books of registry. Nothing contained in this section shall be construed as limiting the Department or the Trustee, in their separate discretion, to the proof specified above. The Department and the Trustee in their separate discretion may accept other evidence which to them may seem sufficient. Any action by the owner of a Bond under the Resolution shall bind the owner taking the action and every future owner of the same Bond, whether or not the future owner has knowledge of the action; provided that any action by the owner of a Bond under the Resolution may be revoked by the owner taking the action or by a subsequent owner of the same Bond by a written instrument filed with the Department and the Trustee prior to the time when the required percentage of the Bondowners have concurred in the action.

Section 10.2. Exclusion of Bonds Held by Department and of Bonds No Longer Deemed Outstanding. In determining whether the owners of the requisite principal amount of Bonds have concurred in any action under the Resolution, any Bonds which are owned by or for the Department and, except for the purpose of Section 11.1, any Bonds which are deemed no longer Outstanding pursuant to Section 11.1, shall be disregarded, but the Trustee shall be protected in relying on the action as to Bonds owned by or for the Department unless the Trustee knows them to be so owned.

ARTICLE XI
DEFEASANCE; MONEYS HELD FOR PAYMENT OF PARTICULAR BONDS

Section 11.1. Discharge of Pledge: Bonds No Longer Deemed Outstanding. The obligations of the Department under the Resolution and the pledge, covenants and agreements of the Department made in the Resolution shall be discharged and satisfied as to any Bond and the Bond shall no longer be deemed to be Outstanding under the Resolution:

(1) when the Bond has been cancelled or surrendered for cancellation, or has been purchased by the Trustee from moneys held by it under the Resolution; or

(2) when payment of the principal or the redemption price of the Bond, plus interest on the principal to the due date (whether at maturity or upon redemption or otherwise) or to the date set for payment under Section 8.4 in the case of an overdue Bond, either (i) has been made or (ii) has been provided for by irrevocably setting aside with the Trustee for the purpose (A) moneys sufficient to pay the principal or redemption price and interest; or (B) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to pay the principal or redemption price and interest when required, and when all proper fees and expenses of the Trustee pertaining to the Bond have been paid or provided for to the

satisfaction of the Trustee.

When a Bond is deemed to be no longer Outstanding under the Resolution pursuant to clause (1) or (2) of this Section, it shall no longer be secured by the Resolution except for the purpose of payment from the moneys or Investment Securities set aside for its payment pursuant to clause (2)(ii).

Notwithstanding the foregoing, in the case of Bonds which are to be redeemed prior to their stated maturities, no deposit under clause (ii) of subparagraph (2) shall operate as a discharge and satisfaction until the Bonds have been irrevocably called or designated for redemption and proper notice of the redemption has been given or provisions satisfactory to the Trustee has been irrevocably made for giving the notice. Any moneys deposited with the Trustee as provided in this section may be invested and reinvested in Investment Securities maturing in the amounts and times as required and any income from the investment not required for the payment of the principal or redemption price and interest on the Bonds shall be paid to the Department and credited to the Revenue Fund.

If the Resolution is defeased with respect to Bonds pursuant to this Section, the Trustee shall mail notice of the defeasance.

Notwithstanding any provision of any other Section of the Resolution, all moneys or Investment Securities set aside pursuant to this Section for the payment of the principal or redemption price of and interest on Bonds shall be held in trust and used solely for the payment of the Bonds with respect to which the moneys or Investment Securities have been set aside.

Notwithstanding Article IX, if moneys or Investment Securities have been set aside with the Trustee pursuant to this Section for the payment of Bonds and the Bonds are deemed to be no longer Outstanding under the Resolution, but the Bonds have not in fact been paid, no amendment of this Article shall be made without the consent of the owner of each Bond affected by the amendment.

The Department may at any time surrender to the Trustee for cancellation Bonds which the Department has acquired with funds in the Sinking Fund Account or otherwise, and the Bonds shall thereupon be deemed paid and no longer Outstanding.

Section 11.2. Bonds Not Presented for Payment When Due. If a Bond is not presented for payment when the principal becomes due, or if checks for interest on Bonds are not presented for payment and if sufficient funds are held by the Trustee for that purpose, liability of the Department for the payment shall cease and the Trustee shall hold the funds without liability to the owner of the Bond for earnings on the funds, in trust for the benefit of the owner of the Bond. The owner shall thereafter be restricted exclusively to the funds so held for any claim for the payment. Subject to applicable law, any funds held by the Trustee remaining unclaimed for two years after the payment became due shall be paid to the Department, and the owner of the Bonds shall thereafter be entitled to look only to the Department for payment. Before making a payment to the Department under this

Section, the Trustee may publish a notice pursuant to Section 13.6 listing the Bonds not presented and stating that the funds remain unclaimed, and that after a specified date any balance then remaining will be returned to the Department.

ARTICLE XII
FORMS OF BONDS

Section 12.1. Forms of Bonds. The form of the Bonds shall be set forth in the Supplemental Resolution.

ARTICLE XIII MISCELLANEOUS

Section 13.1. Benefits of Resolution Limited to the Department, Trustee and Bondowners. Nothing in the Resolution or the Bonds is intended to confer upon any person other than the Department, the Department, the Trustee, the Paying Agents, and the owners of the Bonds any legal or equitable right, remedy or claim.

Section 13.2. Resolution Binding Upon Successors or Assigns of the Department. The Resolution shall be binding upon the successors and assigns of the Department, and shall inure to the benefit of the Trustee, their successors in trust, and the owners of the Bonds.

Section 13.3. Notices to Bondowners. Except as is otherwise provided in the Resolution, any provision in the Resolution for the mailing of a notice to owners of the Bonds shall be complied with by mailing, (i) to each registered owner at his address, if any, appearing on the Bond Register.

Section 13.4. Notices to Department and Trustee. Wherever provision is made in the Resolution for a notice, direction or request to the Department or the Trustee, the same shall be complied with by a letter or instrument in writing (i) delivered at or (ii) mailed by registered mail, return receipt requested, to:

(A) in the case of the Department, to the Authorized Officer, delivered in writing, in person, or sent by mail, to 435 Moscow Road, Stowe, VT 05672; and

(B) in the case of the Trustee, to be determined

or in either case, at such other office or addressed in such other manner as the party to whom the notice is given has designated by written notice to the other parties mentioned in this section.

Section 13.5. Waiver of Notice. Notice under the Resolution may be waived by the person entitled to receive it.

Section 13.6. Publication of Notice. Except as otherwise provided in the Resolution, any provision in the Resolution for giving notice by publication shall be complied with by publication in a daily newspaper of general circulation in Boston, Massachusetts or

Burlington, Vermont, and in a daily newspaper of general circulation or a financial journal of substantial circulation in New York, New York, or in either case, if the required publication cannot be accomplished by reason of suspension of publication or otherwise, in a substitute newspaper approved by the Trustee, or, if there is a vacancy in the office of Trustee, by the Department.

Section 13.7. Reference to Trustee. Notwithstanding anything herein to the contrary, if at any time all the Outstanding Bonds issued pursuant to the terms of this Resolution are owned by the Bond Bank and either no trustee shall have been appointed or the Bond Bank shall have removed the existing Trustee, the (i) the Department shall not have the right to appoint a Trustee and (ii) until and unless the Bond Bank shall appoint a Trustee:

(A) all the rights of the Trustee hereunder to the following shall be deemed instead to be rights of the Bond Bank: (i) to provide approval, consent, authentication or waiver; (ii) to receive notice, evidence, indemnity, opinions, funds (including without limitation reasonable fees and reimbursement for expenses as provided in Section 6.9) or investments; (iii) to benefit from insurance as provided in Section 7.5; and (iv) to file proofs of claim; and

(B) the funds and accounts established hereunder to be held by the Trustee shall be held by the Bond Bank and the Bond Bank may either hold such funds and accounts directly or, at its option, the Bond Bank may instead provide that any one or more of such funds and accounts shall be held by a bank or trust company subject to a deposit account control agreement in favor of the Bond Bank.

Section 13.8. Reference to Bond Bank. If at any time none of the Bonds issued pursuant to the terms of this Resolution are owned by the Bond Bank, then all references to the Bond Bank contained herein shall be deemed deleted and any covenants relating to the Bond Bank shall be of no force or consequence.

Section 13.9. Partial Invalidity. If any provision of the Resolution is held invalid in any circumstance, that invalidity shall not affect any other provisions or circumstances.

Section 13.10. Law and Place of Enforcement of the Resolution. The Resolution shall be construed and governed in accordance with the laws of the State of Vermont and all suits and actions arising out of the Resolution shall be instituted in a court of competent jurisdiction in the State of Vermont.

Section 13.11. Effective Date. The Resolution shall take effect upon its adoption.

[Signature Page Follows]

Dated: August 25, 2026

TOWN OF STOWE BOARD OF ELECTRIC COMMISSIONERS

_____
Lawrence Lackey, Chair

_____
Sara Teachout, Vice Chair

_____
Mark Gilkey, Commissioner

_____
Amber Ives, Clerk

Dated: September 9, 2026

TOWN OF STOWE SELECTBOARD

_____
Ethan Carlson, Chair

_____
Elizabeth Gadbois, Vice Chair

_____
Francis "Paco" Aumand

_____
Jo Sabel Courtney

_____
Nick Donza

ATTEST:

_____
Penny Davis, Town Clerk & Treasurer

STOWE ELECTRIC DEPARTMENT

Supplemental Resolution No. 1 to
Stowe Electric Department
Electric System Revenue General Bond Resolution

Adopted: September 9, 2026

Authorizing the Issuance of

$2,400,000

Stowe Electric Department

Electric System Revenue Bond
Series 2026A

STOWE ELECTRIC DEPARTMENT
SUPPLEMENTAL RESOLUTION NO. 1
AUTHORIZING THE ISSUANCE OF
$2,400,000 ELECTRIC SYSTEM REVENUE BOND, SERIES 2026A

WHEREAS the Board of Commissioners (the "Electric Board") of the Stowe Electric Department (the "Issuer") and the Selectboard (the "Board") of the Town of Stowe, Vermont, have previously adopted the Electric System Revenue General Bond Resolution on August 25, 2026 and September 9, 2026, respectively (as supplemented by this Supplemental Resolution No. 1 and as the same may be further amended or supplemented, the "Resolution"), providing for the issuance, from time to time, of revenue bonds in one or more series to be secured by a pledge of Net Revenues (as defined in the Resolution) of the Issuer's Electric System;

WHEREAS the Resolution authorizes the issuance of said bonds in one or more series pursuant to the adoption of a Supplemental Resolution authorizing the same; and

WHEREAS, the Electric Board and the Board have determined that it is necessary and required and in the best interest of the Issuer that the Issuer issue at this time a series of bonds to be designated "Electric System Revenue Bond, Series 2026A", to provide monies to carry out improvements to the Electric System as hereinafter defined;

BE IT RESOLVED BY THE ISSUER AS FOLLOWS:

ARTICLE 1

AUTHORITY AND DEFINITIONS

101. Supplemental Resolution. This Supplemental Resolution No. 1 (hereinafter referred to as this "Supplemental Resolution") is adopted in accordance with the provisions of Article II, Section 2.2 and Article IX, Section 9.1(A), of the Resolution and pursuant to the authority contained in Title 24 V.S.A. §1822(d).

102. Voter Approval Not Needed. Pursuant to 24 V.S.A. §1822(d), the principal amount of the Series 2026A Bond does not exceed fifty percent (50%) of the total assets of the Electric System. Accordingly, the Board has determined that the Series 2026A Bond may be issued without need for voter approval.

103. Definitions. (1) All terms used herein and not otherwise defined shall have the meaning assigned to such terms in the Resolution.

(2) In this Supplemental Resolution, "Series 2026A Bond" shall mean the Bond authorized by Article II hereof.

ARTICLE II

AUTHORIZATION OF ELECTRIC SYSTEM REVENUE BOND, SERIES 2026A

201. Principal Amount, Designation. Pursuant to the provisions of the Resolution, the Series 2026A Bond is hereby authorized in the aggregate principal amount up to but not in excess of $2,400,000. Such Bond shall be designated as the "Electric System Revenue Bond, Series 2026A" (hereinafter, the "Series 2026A Bond").

202. Sale of the Series 2026A Bond. The Series 2026A Bond authorized herein shall be sold to the Vermont Bond Bank (the "Bond Bank") at an aggregate price not to exceed $2,400,000. The proceeds from the sale of the Series 2026A Bond shall be disbursed by the Bond Bank pursuant to the terms of the Resolution and the Loan Agreement bearing Loan Number RF-415-3.0, by and between the Issuer and Bond Bank (the "Loan Agreement"), in substantially the form attached hereto.

203. Purposes. The Series 2026A Bond is being issued for the purposes of:

(1) Making capital improvements, repairs, replacements, and other related improvements to the Issuer's Electric System, including Smith's Dam and Hydro facility (the "Project"); and

(2) Paying costs of issuance.

203. Date, Maturities and Interest Rates; Interest Payments. The Series 2026A Bond shall initially be dated, shall have a term, and shall bear interest at the rate per annum as set forth in Appendix A. Interest on the Series 2026A Bond shall be payable as set forth in Appendix A.

204. Fully Registered Form. The Series 2026A Bond shall be issued only as one single bond in fully registered form and the Issuer shall deliver to the Bond Bank, at its offices at 100 Bank Street, Burlington, VT 05401, the Series 2026A Bond, and said bond shall remain in the custody of the Bond Bank so long as it remains the owner of the Series 2026A Bond.

205. Denominations, Numbers and Letters. The Series 2026A Bond shall be issued in denominations of $1,000 or in any integral multiple in excess thereof.

206. Place of Payment. The principal, interest and redemption price of the Series 2026A Bond shall be payable directly to the Bond Bank in the manner specified in the Loan Agreement.

207. Optional Redemption. The Series 2026A Bond is subject to redemption as set forth in the Loan Agreement.

ARTICLE III

DISPOSITION OF THE SERIES 2026A BOND PROCEEDS AND RESERVES

301. Disposition of Proceeds. The proceeds from the sale of the Series 2026A Bond shall be deposited in the Construction Fund to pay the Project Costs of the Project and the costs of issuance of the Series 2026A Bond.

ARTICLE IV

SPECIAL COVENANTS

401. Tax Covenants. The Issuer covenants that it will furnish the Bond Bank information requested by it related to the Issuer's tax covenants, investment of proceeds and amounts treated as proceeds, and payments made to the Rebate Fund and the United States with respect to the Series 2026A Bond.

402. Compliance with Loan Agreement. The Bond Bank's acquisition of the Series 2026A Bond is being funded with monies in the Vermont State Revolving Loan Fund. The Issuer will execute and deliver the Loan Agreement, the terms and conditions of which are incorporated herein as if set out in full. Issuer covenants to comply with the terms and conditions of the Loan Agreement, as executed and as amended from time to time thereafter.

ARTICLE V

FORM AND EXECUTION OF SERIES 2026A BOND

501. Form of Series 2026A Bond. Subject to the provisions of the Resolution, the Series 2026A Bond in registered form (and Certificate of Registration) shall be substantially in the form as shown on Appendix B.

502. Execution of Series 2026A Bonds. The Electric Board (or a majority thereof) and the Clerk of the Issuer are hereby authorized and directed to attest manually or by facsimile signature the execution of the Series 2026A Bond in accordance with the provisions of the Resolution.

ARTICLE VI

MISCELLANEOUS

601. Effective Date. This resolution shall take effect immediately.

Adopted at a regular meeting of the Board of Commissioners of the Stowe Electric Department duly called and convened on August 25, 2026 and by the Selectboard of the Town of Stowe, Vermont duly called and convened on September 9, 2026.

ATTEST: _____
Amber Ives, Stowe Electric Department Clerk

ATTEST: _____
Penny Davis, Town Clerk and Treasurer

APPENDIX A

1. Maturity Date and Corresponding Interest Rate

Date of Issuance	Term in Years	Principal Amount	Interest Rate
September __, 2026	10	$2,400,000	_____%

APPENDIX B

R-2026A-1-1 $2,400,000

UNITED STATES OF AMERICA
STATE OF VERMONT
STOWE ELECTRIC DEPARTMENT
ELECTRIC SYSTEM REVENUE BOND

REGISTERED OWNER: Vermont Bond Bank

BOND DATE: June 24, 2026

The Stowe Electric Department (hereinafter called the "**Borrower**"), a body corporate and a political subdivision of the State of Vermont, promises to pay to the Vermont Bond Bank (the "**Bond Bank**"), or registered assigns, the sum of $2,400,000 in installments on the 1st of each month as set forth in Exhibit A ("**Exhibit A**") to the Loan Agreement dated the Bond Date set forth above (the "**Loan Agreement**"), by and between in the Borrower and the Bond Bank, with interest on each installment at the rate per annum set forth in Exhibit A opposite the year in which the installment becomes due. Interest shall be calculated on the basis of 30-day months and a 360-day year.

Interest on each installment of principal shall accrue at the applicable interest rate and shall accrue from the Bond Date until such principal installment is paid. Interest and principal shall be payable to the Registered Owner monthly in the amounts set forth in Exhibit A lawful money of the United States. All payments shall be made by Automated Clearing House (ACH) unless otherwise approved in writing by the Bond Bank. Final payment of the interest and principal of this Bond shall be made upon surrender of this Bond for cancellation with the Registered Owner.

This Bond is issued by the Borrower for the purpose of financing the Project defined in the Loan Agreement under and by virtue of Title 24, Chapter 53 of Vermont Statutes Annotated, and an Electric System Revenue Bond Resolution duly adopted by its Selectboard on September 9, 2026 (as supplemented and amended by one or more supplemental resolutions, including a Supplemental Resolution No. 1 duly adopted by the Selectboard on September 9, 2026, the "Resolution"). This Bond does not constitute a general indebtedness of the Borrower, but is payable solely from the revenues from the ownership and operation of the Borrower's Electric System, and is issued pursuant to the exemption under 24 V.S.A. § 1822(d) for incurrence of debt for the Borrower's Electric System without voter approval.

THIS BOND SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF THE BORROWER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION BUT SHALL BE A LIMITED OBLIGATION OF THE BORROWER PAYABLE SOLELY FROM, AND SECURED SOLELY BY, THE PLEDGE AND LIEN ON THE NET REVENUES SPECIFICALLY PLEDGED THERETO PURSUANT

TO THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE BORROWER, THE STATE OF VERMONT OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST ON THE BOND AND NEITHER THE STATE OF VERMONT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE BORROWER, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST THEREON

Reference is made to the Resolution for, among other things, definitions of terms; the nature and extent of the security for the Bonds; the covenants securing the Bonds; the properties constituting the Electric System of the Borrower; the manner of enforcement of the pledge; the terms and conditions upon which additional Bonds may be issued; the conditions upon which the Resolution may be amended or supplemented with and without the consent of the holders of the Bonds; acceleration of principal in the event of default; remedies and limitations of remedies; and the terms upon which Bonds may no longer be secured by the Resolution if sufficient moneys or specified securities are deposited with the Bond Trustee in trust for their payment. Copies of the Resolution (including any supplemental resolutions) may be inspected at the office of the Borrower.

This Bond is transferable only upon presentation to the Clerk of the Borrower with a written assignment duly acknowledged or proved. No transfer hereof shall be effectual unless made on the books of the Borrower kept by the Clerk as transfer agent and noted hereon by the Clerk with a record of payments as provided hereon.

This Bond is issued by the Borrower for the purposes of its Electric System pursuant to the Resolution. Bonds and notes may be issued under the Resolution in one or more series from time to time. This Bond shall be a "Bond" with the rights and privileges of a Bond under and as defined in the Resolution. The Borrower has pledged the Net Revenues of the Electric System to the repayment of this Bond.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuing of this Bond have been done, have happened, and have been performed in regular and due form, as required by such law. The Borrower hereby irrevocably pledges to pay the same when due from the imposition, collection and payment of Electric System charges and receipts, under the Resolution.

IN WITNESS WHEREOF, the Borrower has caused this Bond to be signed by a majority of its Board of Electric Commissioners and its seal (if it has a seal) to be affixed hereto as of Bond Date.

TOWN OF STOWE BOARD OF
ELECTRIC COMMISSIONERS

_____

Lawrence Lackey, Chair

Sara Teachout, Vice Chair

Mark Gilkey, Commissioner

Amber Ives, Clerk

STOWE ELECTRIC DEPARTMENT
$2,400,000
ELECTRIC SYSTEM REVENUE BOND

CERTIFICATE OF REGISTRATION

It is hereby certified that this Bond is a fully registered Bond payable only to the holder of record as appears of record in the office of the Clerk of the Stowe Electric Department. This Bond may be transferred by presentation of the same with an assignment in writing signed by the registered holder. Presentation shall be made to the Clerk of the Stowe Electric Department at her office, and she shall record such transfer in her records and on the Bond. The name and address of the original registered owner of this Bond is Vermont Bond Bank, 100 Bank Street, Suite 401, Burlington, VT 05401.

_____
Amber Ives, Clerk

LOAN AGREEMENT
(Energy Efficiency and Renewable Energy Program Loan)

This LOAN AGREEMENT, dated June 24, 2026 (the "**Closing Date**"), is between the VERMONT BOND BANK, a body corporate and politic constituted as an instrumentality of the State of Vermont (the "**State**") exercising public and essential governmental functions and doing business as the Vermont Bond Bank (the "**Bond Bank**"), created pursuant to the provisions of Chapter 119 of Title 24 of the Vermont Statutes Annotated (the "**Act**"), having its principal place of business at Burlington, Vermont, and the Stowe Electric Department, an instrumentality of the State of Vermont as defined in the Act having its situs in Lamoille County, State of Vermont (the "**Borrower**").

WHEREAS, pursuant to the Act, the Bond Bank is authorized to make loans of money to Governmental Units (as defined in the Act) and to purchase Municipal bonds (as defined in the Act) evidencing such loans; and

WHEREAS, the Borrower is a Governmental Unit and, pursuant to the Act, is authorized to accept a loan from the Bond Bank to be evidenced by a revenue bond or noteduly issued by it and purchased by the Bond Bank.

WHEREAS, the Borrower wishes to implement structural improvements and investments in cost-effective, commercial technologies to increase energy efficiency (including cost-effective on- or off-grid renewable energy or energy storage systems) (the "**Energy Efficiency Measures**");

WHEREAS, the Borrower has applied to the Bond Bank for, and requested that the Bond Bank make, a loan (the "**Loan**"), in the aggregate principal amount of $2,400,000, subject to change based on the final disbursed value (the "**Loan Amount**"), maturing in installments on the dates, in the estimated amounts and bearing interest at the rates, all as set forth in **Exhibit A**;

WHEREAS, the Borrower has adopted, as of September 9, 2026, a Supplemental Resolution No. 1 (the "**Supplemental Resolution**"), supplementing that Electric Department Revenue General Bond Resolution adopted as of August 25, 2026 (together with the Supplemental Resolution, the "**Resolution**"), providing for notes or bonds to be issued for the Loan, with the repayment of such Loan secured and repaid from the Net Revenues of the Electric System as provided in the Supplemental Resolution;

WHEREAS, the Borrower will apply the proceeds of the Loan to pay the costs (the "**Project Costs**") of financing or refinancing certain capital improvements in furtherance of the Energy Efficiency Measures (the "**Project**"), and the Borrower has duly authorized the issuance of a bond (the "**Borrower Bond**"), to be purchased by the Bond Bank to evidence the Loan in accordance with this Agreement, which Borrower Bond shall be a Municipal Bond in substantially the form appended hereto as **Exhibit B**; and

NOW, THEREFORE, the parties agree as follows:

Section 1. **Representations and Warranties**. The Borrower hereby represents and warrants to the Bond Bank as follows:

(a) The Borrower is a Governmental Unit within the meaning of the Act, with full legal right and authority under the general laws of the State of Vermont applicable to it to authorize, execute and deliver this Loan Agreement and the Borrower Bond, to undertake the Project, and to carry out and consummate all transactions contemplated by the foregoing.

(b) The Borrower has duly and validly authorized the execution, delivery and adoption, as applicable, of this Loan Agreement, the Resolution, and the Borrower Bond, and all approvals, consents, and other governmental or corporate proceedings necessary to make them the legally binding obligations of the Borrower that they purport to be, in accordance with their respective terms, have been obtained or made.

(c) The Borrower has received all required approvals from the Vermont Public Utility Commission and has satisfied any conditions of this approval that may be relied upon the Bank's review of the loan application.

(d) The principal amount of the Loan does not exceed fifty percent (50%) of the total assets of the Borrower's Electric System and accordingly, voter approval for the incurrence of the Loan and the issuance of the Borrower Bond is not needed under 24 V.S.A. § 1822(d).

(e) No action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, other than as disclosed to the Bond Bank in writing, is pending or, to the knowledge of the authorized officer(s) of the Borrower executing this Loan Agreement, threatened (1) seeking to restrain or enjoin the execution, delivery and adoption, as applicable, of this Loan Agreement or the Borrower Bond, or the construction or operation of the Project or (2) contesting or affecting the validity of this Loan Agreement or the Borrower Bond, or the power of the Borrower to assess and collect taxes to repay the Loan and all other costs and expenses of any Project, if any; and neither the corporate existence of the Borrower nor the title to office of the authorized officer(s) of the Borrower executing this Loan Agreement or the Borrower Bond is being contested.

(f) The authorization, execution, delivery and adoption, as applicable, of this Loan Agreement and the Borrower Bond, and performance of each thereof, will not constitute a breach of, or a default under, any law, ordinance, resolution, agreement, indenture or other instrument to which the Borrower is a party or by which it or any of its properties is bound.

(g) This Loan Agreement and when executed and delivered the Borrower Bond will be (1) valid obligations of the Borrower, the payment of which is pledged the Net Revenues (as defined in the Resolution) of its Electric System, enforceable in accordance with their respective terms and the terms of the Act and Title 24, Chapter 53 of Vermont Statutes Annotated (the "**Municipal Finance Law**"), and payable as to principal, premium, if any, and interest (to the extent not paid from other sources) from the Net Revenues of the Borrower's Electric System.

(h) The Borrower represents that all information it has provided in connection with the Loan, the Loan application, the Borrower Bond, this Loan Agreement and all certifications, statements, representations and records identified or referred to therein are true, accurate and complete to the best knowledge of the Borrower and its officers. The Borrower further represents that it has disclosed to the Bond Bank all information material to the Loan.

(i) The undersigned officer(s) of the Borrower is/are duly charged and responsible for issuing the Borrower Bond.

Section 2. The Loan

(a) On the terms and conditions provided herein, the Bond Bank hereby agrees to make the Loan to the Borrower and the Borrower agrees to accept the Loan and, to evidence the Loan, the Bank agrees to purchase the Borrower Bond from the Borrower at the price set forth in **Exhibit A** and the Borrower agrees to issue and sell the Borrower Bond to the Bond Bank at such price, in each case in an aggregate amount equal to the Loan Amount.

(b) The Borrower Bond shall mature and be payable on the dates and in the principal amounts, and shall bear interest from the date of delivery thereof to the Bond Bank at the rates as set forth in the estimated schedule shown in **Exhibit A** or as amended**.** The final schedule to **Exhibit A** will be delivered upon receipt of the Project Completion Certificate.

(c) Each Payment made by or for the account of the Borrower under the Loan Agreement shall satisfy the corresponding obligation of the Borrower to pay the principal and interest, if any, then due on the Borrower Bond, as the same becomes due on the applicable payment dates therefore, and each payment of principal and interest made by the Borrower on the Borrower Bond, shall satisfy the obligation of the Borrower to pay the corresponding payment then due hereunder.

(d) The Borrower is obligated to pay, from the Net Revenues of its Electric System (as provided in the Resolution), on each payment date, the payments then due in accordance with this Loan Agreement and the principal and interest, if any, then due on the Borrower Bond. The Borrower Bond will be secured on a parity basis with all bonds or notes issued and outstanding under the Resolution by the pledge of Net Revenues, together with the funds and accounts created under the Resolution. .

Section 3. Disbursements

(a) No more than three times per month, excluding the initial draw at closing, and in no event after six months after the closing date, the Borrower shall requisition from the Bond Bank portions of the Loan proceeds necessary to pay Project Costs. Such requisitions shall be made in the form attached hereto as **Exhibit C**. The Borrower shall certify to the Bond Bank the name(s) and the title(s) of the person(s) authorized to execute and submit such requisitions. The Borrower shall proceed with due diligence to complete the Project. Completion of the Project shall be evidenced by a Project Completion Certificate in the form set forth in **Exhibit D** signed by the Borrower and delivered to the Bond Bank.

(b) Upon receipt by the Bond Bank of the Project Completion Certificate with respect to the Project, the Bond Bank shall amend the schedule of payments set forth in **Exhibit A** to reflect the final dollar amount of draws under the Loan Agreement and the resulting interest and principal payments due thereon.

(c) Notwithstanding anything to the contrary herein, the Bond Bank shall not be required to make disbursements while an Event of Default shall be continuing hereunder.

Section 4. Payments

(a) The Borrower shall make sufficient funds available to the Bond Bank to pay the payments of principal and interest as the same becomes due as set forth in **Exhibit A** (as may be amended as set forth herein).

(b) The Borrower is obligated to pay fees and charges to the Bond Bank within thirty (30) days of demand by the Bond Bank, as provided in the Act.

(c) All payments shall be made by Automated Clearing House (ACH) unless otherwise approved in writing by the Bond Bank.

(d) Except as otherwise provided in Section 8(d) hereof, all such payments made by the Borrower hereunder shall be applied, first, to the interest, if any, on the Loan then due and payable, second, to the principal amount of the Loan then due and payable, and, third, to the fees and charges of the Bond Bank, if any. Any portion of a payment not paid in full when due shall bear interest hereunder until paid at twelve percent (12%) per annum as provided in the Act.

(e) The Borrower shall provide to the Bond Bank, at least sixty (60) days prior to each interest payment date or principal payment date for the Loan, the name(s) and the title(s) of the person(s) at the Borrower to whom invoices for the payment of interest and principal should be addressed.

Section 5. Prepayments

(a) The Loan is subject to prepayment at the option of the Borrower prior to maturity with the prior written consent of the Bond Bank.

(b) Unless the Bond Bank shall otherwise agree, any prepayment hereunder of less than all of the principal amount of the Loan, shall be applied to reduce the principal balance of the Loan without amendment to the regular combined payment amount. Upon any prepayment of the Loan in part, the Bond Bank shall amend the schedule of payments set forth in **Exhibit A** to reflect such prepayment.

(c) Notwithstanding Section 5(b), the Bond Bank shall modify the combined payment and amend **Exhibit A** in the event the partial prepayment is because of the Borrower's receipt of an Elective Pay tax credit.

Section 6. Closing

(a) The obligation of the Bond Bank to make and fund the Loan is expressly conditioned upon the receipt by the Bond Bank simultaneously with the delivery of this Loan Agreement of the following, each in form and substance satisfactory to the Bond Bank:

(i) the Borrower Bond;

(ii) signed construction contract or purchase agreement for the implementation of Energy Efficiency Measures.

(iii) an unqualified opinion of bond counsel to the Borrower satisfactory to the Bond Bank in the form of **Exhibit E**;

(iv) a receipt in the form of **Exhibit F**,

(v) a Treasurer's Certificate in the form of **Exhibit G**,

(vi) a certificate regarding program requirements in the form of **Exhibit H**,

(vii) completion of the Bond Bank's Environmental Review,

(viii) a completed Appointment of Authorized Representatives in the form of **Exhibit I**, and

(ix) copies of such resolutions and certificates and related information, prepared by bond counsel to the Borrower evidencing the valid authorization, execution and delivery of the Borrower Bond.

Section 7. Particular Covenants of the Borrower

(a) The Borrower shall apply the proceeds of the Loan solely to the payment or reimbursement of costs of the Project, including without limitation additional costs of the Project identified pursuant to Section 3.

(b) The Borrower shall comply with all terms and conditions of this Loan Agreement including, without limitation, all additional terms, conditions or other provisions, if any, contained in **Exhibit H**.

(c) The Borrower shall provide to the Bond Bank annually upon publication a copy of the annual report on the finances and administrative activities of the Borrower generated and distributed in accordance with 24 V.S.A. § 1173 and any independent auditor's report on the financial statements of the Borrower. In addition, within thirty (30) days following a request by the Bond Bank, the Borrower agrees to furnish the Bond Bank with its most recent financial statements, explanatory notes and other financial and operating information as the Bond Bank may request.

(d) In addition, the Borrower agrees to notify the Bond Bank within ten (10) days of the occurrence of any notice event which has or may have a material adverse effect upon its financial condition or its ability to perform fully and timely any covenant, obligation or undertaking set forth in this Loan Agreement or the Borrower Bond.

Section 8. Events of Default and Remedies

(a) The occurrence of any of any one or more of the following events shall constitute, and is defined to be, an "**Event of Default**" hereunder and the Borrower Bond:

(i) if the Borrower shall fail to pay when due all or any part of any installment of principal or interest payable hereunder and the Borrower Bond;

(ii) if the Borrower shall fail to perform and observe any other covenant, agreement or condition on its part provided in this Loan Agreement and such failure shall continue for a period of thirty (30) days after written notice thereof shall be given to the Borrower by the Bond Bank; provided if such failure cannot be remedied within such thirty (30) day period, it shall not constitute an Event of Default hereunder if (1) corrective action satisfactory to the Bond Bank is instituted by the Borrower within such period (2) such corrective action is diligently pursued until the failure is remedied and (3) the Borrower delivers a written update as to the status of such corrective action at least once every 30 days until the failure is remedied;

(iii) if any representation or warranty made by or on behalf of the Borrower in the Loan Agreement or in any loan application shall prove to have been incorrect or to be misleading in any material respect as and when made;

(iv) if (x) an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Borrower, (b) granting relief in involuntary proceedings with respect to the Borrower under the federal bankruptcy act, or (c) assuming custody or control of the Borrower, under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within sixty (60) days from the date of entry of the order, judgment or decree or (y) the Borrower (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, or (d) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Borrower, or (y) legislation shall be enacted by the State of Vermont (a) appointing a receiver or trustee for the Borrower or (b) assuming custody or control of the Borrower, or (c) providing for a moratorium upon the payment of the principal of or interest on the Loan or the Borrower Bond; and

(v) if the Borrower shall fail to pay when due (whether at maturity or upon redemption or otherwise) any principal of or interest on any indebtedness of the Borrower for borrowed money, other than the Loan and the Borrower Bond; and

(b) In addition to its other remedies provided herein, if an Event of Default specified in clause (i) or clause (v) of subsection (a) hereof shall occur and be continuing, the Bond Bank may proceed to enforce its rights under the Loan Agreement and under the Borrower Bond, by exercise of the following remedies in such order of priority as the Bond Bank shall determine in its discretion:

(i) if any payments of principal of or interest on the Borrower Bond shall be due and unpaid, pursuant to the Act, the State Treasurer may intercept State funding to the Borrower;

(ii) by notice to the Borrower the Bond Bank may declare the principal of the Loan and all payments payable thereon, and the corresponding principal amount of the Borrower

Bond, to be immediately due and payable and, upon such declaration, the principal of and all interest, if any, accrued thereon shall be and become immediately due and payable, anything herein or in the Borrower Bond to the contrary notwithstanding.

(c) Notwithstanding anything herein to the contrary, if any Event of Default hereunder shall occur and be continuing, the Bond Bank may proceed to protect its rights hereunder, and may seek to compel compliance by the Borrower with the terms and provisions hereof and of the Borrower Bond, by suit or suits in equity or at law, for the specific performance of any covenant, term or condition hereof or of the Borrower Bond, or in aid of the execution of any power herein granted, and, except as herein limited, may exercise any other right or remedy upon such default as may be granted to the Bond Bank under the Act, the Municipal Finance Law or under any other applicable provision of law.

(d) During the continuance of an Event of Default, the Bond Bank shall apply all amounts received upon the exercise of its rights and remedies hereunder as follows and in the following order:

(i) to the payment of the reasonable and proper charges (including attorneys' fees) of the Bond Bank incurred in the exercise of any right or remedy hereunder;

(ii) to the payment and satisfaction of all interest then due and unpaid hereunder upon any defaulted payments;

(iii) to the payment and satisfaction of all payments then due and unpaid hereunder and, if the amount available is not sufficient to pay all payments then due and payable hereunder, first to the payment of the portion of the payments due and unpaid representing interest on the Loan or the Borrower Bond and second to the portion of the payments due and unpaid representing the principal of the Loan or Borrower Bond and, in either case, ratably in order of the due dates thereof;

(e) No remedy conferred upon or reserved to the Bond Bank is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient.

Section 9. Miscellaneous.

(a) If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

(b) This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments, and take such other actions as are necessary, to give effect to the terms of this Loan Agreement.

(c) No waiver by either party of any term or condition of the Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase, or other provision of this Loan Agreement.

(d) This Loan Agreement merges and supersedes all prior negotiations, representations, and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement as of the day and year first above written.

Attest: VERMONT BOND BANK

_____ By:_____

(SEAL)

Attest: STOWE ELECTRIC DEPARTMENT

_____ By: Amber Ives, Clerk

(SEAL)

EXHIBIT A

Preliminary Schedule of Payments

Borrower: Stowe Electric Department

Project: Electric System Revenue General Bond Resolution

Loan Amount: $2,400,000, subject to change based on final disbursed value

Price: $100.00

Principal and Interest:

EXHIBIT B

[FORM OF BORROWER BOND]

No. R-1 UNITED STATES OF AMERICA $2,400,000
STATE OF VERMONT
STOWE ELECTRIC DEPARTMENT
ELECTRIC SYSTEM REVENUE BOND

REGISTERED OWNER: Vermont Bond Bank

BOND DATE: June 24, 2026

The Name of Stowe Electric Department (hereinafter called the "**Borrower**") a body corporate and a political subdivision of the State of Vermont, promises to pay to the Vermont Bond Bank (the "**Bond Bank**"), or registered assigns, the sum of $2,400,000 in installments on the 1st of each month as set forth in Exhibit A ("**Exhibit A**") to the Loan Agreement dated the Bond Date set forth above (the "**Loan Agreement**"), by and between in the Borrower and the Bond Bank, with interest on each installment at the rate per annum set forth in Exhibit A opposite the year in which the installment becomes due. Interest shall be calculated on the basis of 30-day months and a 360-day year.

Interest on each installment of principal shall accrue at the applicable interest rate and shall accrue from the Bond Date until such principal installment is paid. Interest and principal shall be payable to the Registered Owner monthly in the amounts set forth in Exhibit A lawful money of the United States. All payments shall be made by Automated Clearing House (ACH) unless otherwise approved in writing by the Bond Bank. Final payment of the interest and principal of this Bond shall be made upon surrender of this Bond for cancellation with the Registered Owner.

This Bond is issued by the Borrower for the purpose of financing the Project defined in the Loan Agreement under and by virtue of Title 24, Chapter 53 of Vermont Statutes Annotated, and an Electric System Revenue Bond Resolution duly adopted by its Selectboard on August 25, 2026 (as supplemented and amended by one or more supplemental resolutions, including a Supplemental Resolution No. 1 duly adopted by the Selectboard on September 9, 2026, the "Resolution"). This Bond does not constitute a general indebtedness of the Borrower, but is payable solely from the revenues from the ownership and operation of the Borrower's Electric System, and is issued pursuant to the exemption under 24 V.S.A. § 1822(d) for incurrence of debt for the Borrower's Electric System without voter approval.

THIS BOND SHALL NOT CONSTITUTE A GENERAL OBLIGATION OF THE BORROWER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION BUT SHALL BE A LIMITED OBLIGATION OF THE BORROWER PAYABLE SOLELY FROM, AND SECURED SOLELY BY, THE PLEDGE AND LIEN ON THE NET REVENUES SPECIFICALLY PLEDGED THERETO PURSUANT TO THE RESOLUTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE BORROWER, THE STATE OF VERMONT OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST ON THE BOND AND NEITHER THE STATE OF

VERMONT NOR ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE BORROWER, SHALL BE OBLIGATED TO PAY THE PRINCIPAL, PREMIUM (IF ANY) OR INTEREST THEREON

Reference is made to the Resolution for, among other things, definitions of terms; the nature and extent of the security for the Bonds; the covenants securing the Bonds; the properties constituting the Electric System of the Borrower; the manner of enforcement of the pledge; the terms and conditions upon which additional Bonds may be issued; the conditions upon which the Resolution may be amended or supplemented with and without the consent of the holders of the Bonds; acceleration of principal in the event of default; remedies and limitations of remedies; and the terms upon which Bonds may no longer be secured by the Resolution if sufficient moneys or specified securities are deposited with the Bond Trustee in trust for their payment. Copies of the Resolution (including any supplemental resolutions) may be inspected at the office of the Borrower.

This Bond is transferable only upon presentation to the Treasurer of the Borrower with a written assignment duly acknowledged or proved. No transfer hereof shall be effectual unless made on the books of the Borrower kept by the Treasurer as transfer agent and noted hereon by the Treasurer with a record of payments as provided hereon.

This Bond is issued by the Borrower for the purposes of its Electric System pursuant to the Resolution. Bonds and notes may be issued under the Resolution in one or more series from time to time. This Bond shall be a "Bond" with the rights and privileges of a Bond under and as defined in the Resolution. The Borrower has pledged the Net Revenues of the Electric System to the repayment of this Bond.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuing of this Bond have been done, have happened, and have been performed in regular and due form, as required by such law. The Borrower hereby irrevocably pledges to pay the same when due from the imposition, collection and payment of Electric System charges and receipts, under the Resolution.

IN WITNESS WHEREOF, the Borrower has caused this Bond to be signed by its Board of Commissioners and its seal (if it has a seal) to be affixed hereto as of Bond Date.

Stowe Electric Department
Dated: August 25, 2026

TOWN OF STOWE BOARD OF ELECTRIC COMMISSIONERS

_____
Lawrence Lackey, Chair

_____
Sara Teachout, Vice Chair

_____
Mark Gilkey, Commissioner

_____
Amber Ives, Clerk

Stowe Electric Department
$2,400,000 ELECTRIC SYSTEM REVENUE BOND
JUNE 24, 2026

CERTIFICATE OF REGISTRATION

It is hereby certified that this bond is a registered bond, the principal and interest due thereon payable only to the holder of record as appears in the office of the Treasurer of the issuing Borrower. This bond may be transferred by presentation of the same with an assignment in writing signed by the registered holder. Presentation shall be made to the Treasurer of the Borrower at the office of the Treasurer of the Borrower who shall record such transfer in the records of the Borrower and on the bond. The name and address of the original registered owner of this bond is Vermont Bond Bank, 100 Bank Street, Suite 401, Burlington, Vermont 05401.

EXHIBIT C

FORM OF REQUISITION

Vermont Bond Bank

Requisition and Certificate for Payment: _____
(Name of Borrower)

Requisition Number:

Requisition Amount: $

Requisitioned Items:

Attached is a list of certain obligations totaling $_____requisitioned for reimbursement. Copies of invoices and other disbursement documentation are attached hereto.

Representations:

The terms used herein shall have the same meaning ascribed to them in the Loan Agreement.

In making this request for disbursement, the Governmental Unit hereby certifies that:

i. The payment or reimbursement requested by this Requisition will be used solely to pay or reimburse Project Costs, which costs have not been the basis for any prior requisition (other than a requisition which has been cancelled prior to payment);

ii. No Event of Default and no event or condition which, after notice or lapse of time or both, would become an Event of Default under the Loan Agreement exists and the representations and warranties of the Borrower contained in the Loan Agreement are true and correct as of the date of this Requisition;

iii. The payment or reimbursement requested by this Requisition is due for work actually performed or materials or property actually supplied to the Project prior to the date of this Requisition, or for deposits on equipment not yet supplied to the Project;

iv. All contractors, subcontractors and suppliers of materials, property or labor for the Project have been paid for their share of work, materials or property through the date of any prior Requisition;

v. The payment or reimbursement requested by this Requisition will be disbursed in payment of, or is reimbursement for the Borrower's prior payment of, work performed or completed on, or materials or property supplied for the Project by the contractors, subcontractors or suppliers listed in this Requisition;

vi. All amounts previously requisitioned and disbursed from the Loan proceeds for payment of contractors, subcontractors and suppliers of materials and labor have been so applied; and

vii. All work and all materials, equipment or other property included in this Requisition have been performed or supplied in accordance with the terms of the Loan Agreement.

viii. Borrower has or will provide payment instructions to the Bond Bank via secure means and the Authorized Representative will verify payment instruction with the Bond Bank prior to disbursement.

Date:

BORROWER: STOWE ELECTRIC DEPARTMENT

By:_____
Name:
Title:

Requisition Contact Name:_____

Requisition Contact Email:_____

Requisition Contact Phone:_____

[attach supporting materials]

EXHIBIT D

PROJECT COMPLETION CERTIFICATE

Pursuant to Section 3 of the Loan Agreement dated June 24, 2026 (the "Loan Agreement") between Stowe Electric Department (the "Borrower") and the Vermont Bond Bank, the undersigned, on behalf of the Borrower, hereby certifies that the Project (as defined in the Loan Agreement) was substantially complete on_____. Attached to this Project Completion Certificate is a certificate provided by the counterparty to the construction contract and/or purchase agreement that the improvements were installed as described.

Dated:

Stowe Electric Department

By:_____
Duly Authorized

EXHIBIT E

FORM OF LOCAL BOND COUNSEL OPINION

June 24, 2026

Vermont Bond Bank
100 Bank Street, Suite 401
Burlington, Vermont 05401

Re: $2,400,000 Stowe Electric Department Electric System Revenue Bond dated June 24, 2026

We have acted as bond counsel to [Name of Borrower] (the "**Borrower**") in connection with the issuance by the Borrower of the above-referenced bond (the "**Bond**"). In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion, including the Loan Agreement dated the date hereof between the Vermont Bond Bank (the "**Bond Bank**") and the Borrower (the "**Loan Agreement**") and an Electric System Revenue Bond Resolution duly adopted by its Selectboard on August 25, 2026 (as supplemented and amended by one or more supplemental resolutions, including a Supplemental Resolution No. 1 duly adopted by the Selectboard on September 9, 2026, the "**Resolution**").

As to questions of fact material to our opinion, we have relied upon representations and covenants of the Borrower contained in the Loan Agreement and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Loan Agreement has been duly authorized, executed and delivered by the Borrower in accordance with Title 24 of Chapter 53 of the Vermont Statutes Annotated [revise, as applicable], and, assuming that the Loan Agreement has been duly authorized, executed and delivered by the Bond Bank, constitutes a valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

2. The Resolution provides for the benefit of the holders from time to time of the Bond, a legal, valid, and binding pledge of and lien, on a parity with other bonds issued and to be issued under the Resolution, on the Net Revenues (as defined in the Resolution) of the Borrower's Electric System. The Bond is entitled to the benefits set forth in the Resolution.

3. The Bond has been duly authorized, executed and delivered by the Borrower in accordance with the Loan Agreement and applicable law and is a valid and binding special obligation of the Borrower enforceable against the Borrower in accordance with its terms and, except to the extent they are paid from other sources, the principal of and interest on the Bond are payable from the Net Revenues of the Borrower's Electric System. The Bond is a "Municipal bond" within the meaning of Section 4155(7) of Chapter 24 of the Vermont Statutes Annotated.

The rights of owners of the Bond and the enforceability of the Bond are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

EXHIBIT F

FORM OF RECEIPT

Received of the Vermont Bond Bank the sum of $_____ being in full payment for the Borrower Bond of the below-referenced Borrower dated the date hereof and sold and delivered to said Bond Bank.

Dated: _____

Stowe Electric Department

By:_____
Duly Authorized

EXHIBIT G

TREASURER'S CERTIFICATE

The undersigned Treasurer of Stowe Electric Department (the "**Borrower**") hereby certifies, on behalf of the Borrower, that the Borrower is obligated under the Loan Agreement, dated as of June 24, 2026 between the Borrower and the Vermont Bond Bank (the "**Bond Bank**") to provide to the Bond Bank the requirements of Exhibit H and annually upon publication a copy of the annual report on the finances and administrative activities of the Borrower generated and distributed in accordance with 24 V.S.A. § 1173 and any independent auditor's report on the financial statements of the Borrower.

Stowe Electric Department

_____

Treasurer

Dated: August 25, 2026

EXHIBIT H

ENERGY EFFICIENCY PROGRAM REQUIREMENTS

The intention of the program is to provide affordable capital for Energy Efficiency Measures. The Borrower provided the Bond Bank estimates of production or savings associated with the Energy Efficiency Measures in its application. The Borrower shall provide the Bond Bank with additional records related to the Project upon reasonable request.

Throughout the life of the loan, on an on-going basis the Borrower will provide the Bond Bank with copies of bills or other records sufficient to document the performance of the Project on a quarterly basis. Beginning October 10, 2026, reports should be submitted electronically on the tenth day of the month following the end of the quarter.

The Borrower covenants that it shall undertake corrective actions in the event the performance of the Project materially underperforms the estimates provided in the application. A corrective plan will be submitted to the Bond Bank for approval no more than sixty (60) days following notice from the Bond Bank. Failure to provide a corrective plan within the above timeline will be considered an Event of Default under Section 8 of the Loan Agreement.

Dated: August 25, 2026

Stowe Electric Department

By:_____
Duly Authorized

EXHIBIT I

APPOINTMENT OF AUTHORIZED REPRESENTATIVE(S)

I, Amber Ives, a duly authorized official of the Stowe Electric Department
(Name of Authorizing Official)

Do hereby certify that the following have been authorized representative(s), at the date hereof, and are authorized to act on behalf of the above Governmental Unit in matters relating to its loan from the Bond Bank that closed on June 24, 2026.

I also certify that the following signatures opposite their names are the signatures of such individual(s).

Name	Title	Specimen Signature
Lawrence Lackey	Chair	
Sara Teachout	Vice Chair	
Mark Gilkey	Commissioner	

Witness my signature on this 25 day of August 2026.

_____
Signature

DEPOSIT ACCOUNT CONTROL AGREEMENT

Union Bank
[address]
[address]
Attention: _____

Re: Pledge by Stowe Electric Department to the Vermont Bond Bank of Debt Service Deposit Account(s) Held by Union Bank

This Deposit Account Control Agreement (the "Agreement") is dated as of July __, 2026, by and among STOWE ELECTRIC DEPARTMENT, an instrumentality of the State of Vermont (the "Pledgor"), VERMONT BOND BANK, an instrumentality of the State of Vermont (the "Bank"), and UNION BANK, a banking institution qualified to do business in the State of Vermont (the "Institution").

The Pledgor has granted and pledged to the Bank an undivided security interest in the Net Revenues and funds credited to the Pledgor's Account #_____, and any other deposit accounts in replacement thereof or derived therefrom (collectively, the "Account"), together with any interest, income, or proceeds thereof (collectively, the "Collateral") to secure indebtedness and all Bonds issued and outstanding under the General Bond Resolution (as defined below) to the Bank. The Institution, the Pledgor, and the Bank hereby agree as follows:

1. Definitions. The following capitalized terms used herein shall have the following meanings:

"Bonds" means any bonds, notes, or other evidence of indebtedness issued by the Pledgor under, or secured by, the General Bond Resolution.

"Debt Service Fund" means the Debt Service Fund created under the General Bond Resolution.

"General Bond Resolution" shall mean the Town of Stowe, Vermont Electric Department Revenue General Bond Resolution adopted September 9, 2026 (as the same may be amended or supplemented) providing for the issuance, from time to time, of revenue bonds in one or more series to be secured by a pledge of the Net Revenues of the Pledgor's Electric System.

"Net Revenues" means the Net Revenues as defined in the General Bond Resolution.

2. The Account. The Institution represents to the Bank that: (a) if an Account statement is attached to this Agreement, it is a statement produced by the Institution in the ordinary course of its business regarding the funds credited to the Account as of the statement's date and the Institution does not know of any inaccuracy in that statement; (b) the Account has been established and will be maintained by the Institution in the name of the Pledgor as recited above; (c) the Account and the rights of the Pledgor in the Account are valid and legally binding

obligations of the Institution; and (d) as of the date of this Agreement, the Institution does not know of any claim to or interest in the Account or any of the Collateral other than the interests of the Pledgor and the Bank. The Institution shall not change the name of the Account without the prior written consent of the Bank. The Pledgor irrevocably directs the Institution to make all notations in the Institution's records pertaining to the Account that are necessary or appropriate to reflect the above pledge. The Institution will change the styling of the Account to read:

> VERMONT BOND BANK – DEBT SERVICE FUND – Collateral Account for Bonds issued under the General Bond Resolution of the Town of Stowe, Vermont.

3. Control. The Institution understands and agrees that the Bank shall have exclusive control over the Account as of the date hereof. The Institution shall mark its records, by book-entry or otherwise, to indicate the pledge of, and the Bank's security interest in, the Collateral and shall comply with all notifications or instructions communicated which direct it to dispose or transfer any of the Collateral subject to this Agreement (each an "Entitlement Order") originated by the Bank without further action or consent by the Pledgor or any other person, including, without limitation, any Entitlement Order concerning the payment, transfer, or delivery of the Collateral to the Bank.

4. Withdrawals. Until the Institution has received written instructions from the Bank to the contrary, the Pledgor shall be entitled to withdraw or otherwise direct the disposition of funds from the Account. Following any such written instruction from the Bank, the Institution shall neither comply with any Entitlement Order from the Pledgor withdrawing or making a free delivery of any of the Collateral, nor deliver any of the Collateral to the Pledgor or pay any free credit balances or other amount owing from the Institution to the Pledgor with respect to the Collateral except to make payments to the Bank on account of debt service on the Pledgor's Revenue Bonds.

5. Statements. The Institution shall send copies of all statements relating to the Account and/or the Collateral subject to this Agreement simultaneously to the Pledgor and the Bank at the following addresses:

> Stowe Electric Department
> 435 Moscow Road
> P.O. Box 190
> Stowe, VT 05672
> Attention: _____
>
> Vermont Bond Bank
> 100 Bank Street
> Burlington, Vermont 05401
> Attention: Executive Director

The Institution shall use reasonable efforts to promptly notify the Bank and the Pledgor of any lien, encumbrance, or other adverse claim against any of the Collateral.

6. Limited Responsibilities of the Institution. The Institution shall have no responsibility or liability to the Pledgor for complying with Entitlement Orders concerning any of the Collateral

originated by the Bank, even if the Pledgor notifies the Institution that the Bank is not legally entitled to issue the Entitlement Order, unless (a) the Institution takes the action after it is served with an injunction, restraining order, or other legal process specifically enjoining it from doing so, issued by a court of competent jurisdiction, and had a reasonable opportunity to act on the injunction, restraining order, or other legal process; or (b) the Institution acts in collusion with the Bank in violating the Pledgor's rights. This Agreement does not create any obligation of the Institution except for those expressly set forth in this Agreement. The Institution shall have no duty to investigate or make any determination as to whether a default exists under any agreement between the Pledgor and the Bank.

7. Indemnification. To the extent permitted by applicable law, the Pledgor shall hold harmless and indemnify the Institution and its officers, employees, and agents against any claim, loss, cost, or expense arising out of any action or omission taken by any person in reliance on or compliance with the instructions and authorizations contained in this Agreement.

8. Term. The instructions contained in this Agreement may be revoked and the terms of this Agreement may be amended only if the Institution receives (a) the Bank's written consent to the revocation or amendment; or (b) the Bank's written notification that its security interest has been released or transferred to a Trustee under the General Bond Resolution. The rights and powers granted to the Bank in this Agreement are powers coupled with an interest and shall neither be affected by the death or bankruptcy of the Pledgor or by the lapse of time.

9. Subordination of Lien; Conflict with other Agreements. The Institution waives all liens, claims, and rights, including any right of set-off, or other offset, it may have against any of the Collateral except for (a) amounts due with respect to the Institution's customary fees and expenses for the routine maintenance and operation of the Account; and (b) the face amount of any checks that have been credited to the Account but are subsequently returned unpaid because of uncollected or insufficient funds. The Institution shall not comply with any claim or order originated by a third party or any other third-party order or instruction concerning any of the Collateral without the prior written consent of the Bank. The Institution shall hold the Collateral (including any free credit balances in the Account) for and on behalf of the Bank.

10. Tax Reporting. All items of income, including interest and other income, gain, expense, and loss, recognized in the Account must be reported by the Institution in the name and tax identification number of the Pledgor.

11. Customer Agreement. In the event of a conflict between this Agreement and any other agreement whether now or hereafter existing between the Institution and the Pledgor, the terms of this Agreement shall prevail. The State of Vermont shall be deemed to be the Institution's location, and the Account and any other of the Collateral subject to this Agreement shall be governed by the laws of the State of Vermont without regard to its principles of conflict of laws.

12. Governing Law. This Agreement shall be governed by the laws of the State of Vermont without regard to its principles of conflict of laws. All terms unless otherwise defined in this Agreement shall have the meanings assigned in the Uniform Commercial Code, as the same may be in effect in the State of Vermont, as amended from time to time.

13. Construction. No single, partial, or delayed exercise by any party of any right or remedy shall preclude the exercise at any time of such right or remedy. No course of dealing or other

conduct, no oral agreement or representation made by any party hereunder, or usage of trade, shall operate as a waiver of any right or remedy of such party. No waiver of any right or remedy of any party hereunder shall be effective unless made specifically in writing by such party. Any reference to the "Collateral" shall include the Account, and any and all funds heretofore or hereafter credited thereto, held therein or identified therewith. Each provision of this Agreement shall be interpreted as consistent with existing law and shall be deemed amended to the extent necessary to comply with any conflicting law. Each party agrees that in any legal proceeding, a copy of this Agreement kept in the Bank's ordinary course of business may be admitted into evidence as an original. If a court deems any provision invalid, the remainder of this Agreement shall remain in effect.

14. Successors and Assigns. This Agreement benefits the Bank and its successors and assigns and is binding on the Pledgor and the Institution and their respective legal representatives, successors, and assigns.

In Witness Whereof, the parties have executed this Agreement as of the date first written above.

Stowe Electric Department

By: _____
Name:
Title:

Vermont Bond Bank

By: _____
Name:
Title:

Accepted:

Union Bank

By: _____
Name:
Title: