

TERM SHEET

This Term Sheet is dated this ____ day of _____, 201____, between the **Town of Middlebury** (the "Town") and **Middlebury Electric, LLC** ("ME").

ME is in the process of developing a hydroelectric generating project at the Middlebury Upper Falls site, located on the westerly side of Otter Creek (the "Project"). The Project will require the support and participation of the Town. This nonbinding Term Sheet reflects the parties' intent to work together to develop a binding agreement to allow the Project to proceed in a mutually beneficial manner.

Following execution of this Term Sheet, the parties will work together to develop a formal, binding agreement (the "Agreement"). The following represents a preliminary list of the terms that the parties anticipate including in the Agreement:

1. *Town support.* The Town will support the Project, contingent upon ME's compliance with the terms of the Agreement. The Town reserves the right to withdraw its support if ME fails to construct the Project or otherwise fulfill its obligations under the Agreement.

2. *Design and engineering.* ME will consult with the Town at all stages of the design process and address the Town's concerns regarding the impact of construction and operation of the Project on natural resources, aesthetics, historic preservation, neighboring landowners, the public, and other important municipal interests. The Agreement will establish a formal process for resolving any issues relating to the design, construction, and operation of the Project.

3. *ME's permitting and construction obligations.* ME will work diligently to secure the necessary funding, permits, water rights, and property interests and to complete construction of the Project. The Town will have the right to withdraw from participation if the Project is not brought on line within five years of the date of the Agreement. The Town will have the right to participate in permitting and regulatory proceedings to protect its interests.

4. *Provision of information.* ME will keep the Town informed of the status of financing, permitting, design, construction, and operation of the Project and will provide the Town with plans, documentation, and information in order to allow the Town to evaluate the Project and exercise its rights and responsibilities under the Agreement.

5. *Water and property rights.* The parties anticipate that certain Town water rights and property rights will be required for the Project (the "Town Rights"). The Town will make the Town Rights available to ME through an easement, lease, or other suitable instrument. Rather than attributing a specific quantity of water rights to the Town, the parties will agree that the Town will make available any and all water rights it may have to the Middlebury Falls as part of the Town's contribution to the Project. The Town Rights will revert to the Town upon expiration of the Project's initial licensing period, or in the event of a material breach of the Agreement by ME.

6. *Town power generation credit.* For the operational life of the Project, ME will provide the Town with an annual credit representing the value of _____ kWh of power generation, calculated at the regular rate charged by the Town's electricity provider. Depending on the structure of ME's power sales arrangement, the credit will either be provided as a credit on the Town's municipal electric bill, a cash payment, or other suitable form of compensation.

7. *Relationship of parties.* ME will be the sole owner and operator of the Project. The Town will not be considered to be a partner or party to any joint venture or other similar arrangement with ME.

8. *Security.* Prior to beginning construction, ME will provide the Town with a bond, letter of credit, or other suitable security, in an amount agreed upon by both parties, to secure ME's compliance with its obligations, including but not limited to completion of the Project and decommissioning and site restoration once the Project ceases operation or in the event of ME's failure to complete construction.

9. *Insurance and indemnification.* The Agreement will contain provisions acceptable to the Town and its insurer, requiring ME to carry adequate insurance and to indemnify the Town for any loss or damage arising out of construction or operation of the Project.

10. *Right of first refusal.* ME will grant the Town a right of first refusal providing that if a third party offers to purchase the Project and ME wishes to accept the offer, the Town will have the right to purchase the Project by matching the terms of the third-party offer.

The foregoing terms are nonbinding and are subject to change as the Project details are developed. Either party reserves the right to withdraw from negotiations if the parties are unable to agree upon the terms of the Agreement after taking part in discussions in good faith.

In witness whereof, the parties have executed this Term Sheet as of the date first stated above.

Town of Middlebury
by Kathleen Ramsay, Town Manager and Duly
Authorized Agent

Middlebury Electric, LLC
by Anders Holm, Duly Authorized Agent