



AGENDA -- CITY COUNCIL
CITY OF MARTINSVILLE, VIRGINIA

Tuesday, December 17th, 2024

6:30 pm Reception for Existing Council Members
Room 208, Municipal Building

7:00 pm Regular Session
Council Chambers, Municipal Building

6:30 pm - Reception for Existing Council Members

City Council Chambers, Municipal Building

7:00 pm - Regular Session

City Council Chambers, Municipal Building

1. Call to Order

2. Pledge to the American Flag

3. Invocation

a. Led by Pastor Kelvin Perry

4. Proclamations and Presentations

5. Consent Agenda

a. Consider Approval of Minutes, November 19th, 2024

b. Consider Appointment to Transportation Safety Commission

6. Public Hearing

a. Public Hearing on proposed amendment to City Charter

b. Public Hearing on proposed revenue bonds for Doe Run Sewer Project

7. Regular Agenda or New Business

a. Discuss and Consider Approval of Resolution requesting General Assembly to Amend City Charter

b. Discuss and Consider Approval of Resolution authorizing revenue bonds for Doe Run Sewer Project

c. Discuss and Consider Approval of Uptown Traffic Calming Improvements



AGENDA -- CITY COUNCIL
CITY OF MARTINSVILLE, VIRGINIA

8. Actions necessary as a result of the Executive Session
9. Communications from Visitors / Business from the Floor
10. Comments by Members of City Council
11. Communications
 - a. City Manager
 - b. City Attorney
 - c. Financial Update
 - d. Public Information Officer
12. Adjournment



STAFF REPORT

MEETINGS: December 17, 2024

TITLE: November 19th, 2024 Minutes

STAFF RESPONSIBLE Peyton Nibblett, Deputy City Clerk

BACKGROUND/HISTORY

Council must review and approve of past Council Meeting Minutes before they are added to official City Records.

POLICY EXPLANATION

N/A

FISCAL IMPACT/FUNDING SOURCE

None.

AVAILABLE BUDGET	PURCHASE AMOUNT
N/A	N/A

ACTION REQUESTED/ALTERNATIVES:

1. City Council Approve Minutes
2. City Council Reject Minutes
3. Other Action as directed by City Council

ATTACHMENTS:

November 19th, 2024 Minutes



MINUTES -- CITY COUNCIL
CITY OF MARTINSVILLE, VIRGINIA

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Tuesday, November 19, 2024

**2:00 pm Executive Session
Room 208, Municipal Building**

A Closed meeting of the City of Martinsville, Virginia's council, was held on November 19, 2024, at 2 PM in Conference Room 208, Martinsville Municipal Building, Martinsville, VA. Council Members participating included Kathy Lawson, Aaron Rawls, Tammy Pearson, and Mayor Jones. Council member Lawrence Mitchell was absent. Staff present included City Manager Aretha Ferrell-Benavides, HR Director Travis Hodge, Chief Operating Officer Edena Reese-Atmore, City Attorney Designee and Interim Managing Director of Development Eric Payne, Public Works Director Greg Maggard, Management Analyst Sita Conde, Public Information Officer Kendall Davis and Assistant to City Manager Peyton Nibblett.

Mayor Jones called the meeting to order and advised Council would go into Closed Session beginning at 2:00 PM. In accordance with the Code of Virginia, Title 2.2 Chapter 37, Freedom of Information Act and upon a motion by Council Member Lawson and seconded by Council Member Pearson with the following 4-0 recorded vote: Council Member Pearson, aye; Mayor Jones, aye; Vice Mayor Rawls, aye; and Council Member Lawson, aye. Council convened in Closed Session to discuss the following matters: Discussion or consideration of confidential proprietary information and trade secrets developed and held by a local public body providing certain telecommunication services or cable television services and subject to the exclusion in subdivision 18 of § 2.2-3705.6.

- a. Discussion or Consultation with legal counsel and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7.
- b. Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.
- c. Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community.



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CITY OF MARTINSVILLE, VIRGINIA

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There was no action taken out of the Closed session.

There being no further business, Councilor Pearson motioned to adjourn and Councilor Lawson seconded. The meeting was adjourned at 4pm.

**4:00 pm EDA Meeting & Joint EDA, City Council
Room 208, Municipal Building**

A Joint meeting of the City of Martinsville, Virginia's council, and the Martinsville Economic Development Authority was held on November 19, 2024, at 4 PM in Conference Room 208, Martinsville Municipal Building, Martinsville, VA. Council Members participating included Kathy Lawson, Aaron Rawls, Tammy Pearson, and Mayor Jones. Council member Lawrence Mitchell was absent. Economic Development Authority Members participating include Michael Scales, Olivia Garrett, Lee Prillaman, Eric Phillips, Marcus Stone, Ronnie Fultz, and James Frith. City Staff present included City Manager Aretha Ferrell-Benavides, HR Director Travis Hodge, Chief Operating Officer Edena Reese-Atmore, City Attorney Designee and Interim Managing Director of Development Eric Payne, Public Works Director Greg Maggard, Management Analyst Sita Conde, Public Information Officer Kendall Davis and Assistant to City Manager Peyton Nibblett.

Mayor Jones called the meeting to order and advised Council would go into Closed Session beginning at 4:00 PM. In accordance with the Code of Virginia, Title 2.2 Chapter 37, Freedom of Information Act and upon a motion by Council Member Lawson and seconded by Council Member Pearson with the following 4-0 recorded vote: Council Member Pearson, aye; Mayor Jones, aye; Vice Mayor Rawls, aye; and Council Member Lawson, aye. Council convened in Closed Session to discuss the following matters: 2.2-3711.A.5: Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community. 2.2-3711 A(3) and 2.2-3711 A(6) Discussion concerning items related to the discussion or consideration of the acquisition of real



MINUTES -- CITY COUNCIL
CITY OF MARTINSVILLE, VIRGINIA

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property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body, as allowed.

Eric Phillips called the meeting to order and advised the Economic Development Authority would go into Closed Session beginning at 4:00 PM. In accordance with the Code of Virginia, Title 2.2 Chapter 37, Freedom of Information Act and upon a motion by Lee Prillaman and seconded by Marcus Stone with the following 5-0 recorded vote: Michael Scales, aye; Olivia Garrett, aye; Lee Prillaman, aye; Eric Phillips, aye; and James Frith, aye. The Economic Development Authority convened in Closed Session to discuss the following matters: 2.2-3711.A.5: Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community. 2.2-3711 A(3) and 2.2-3711 A(6) Discussion concerning items related to the discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body, as allowed.

City Council joint executive session with EDA adjourned at 5pm. There being no further business, Councilor Pearson motioned to adjourn and Councilor Lawson seconded. Economic Development Authority member Michael Scales motioned to adjourn and Lee Prillaman seconded. The joint closed session meeting was adjourned at 5pm.



MINUTES -- CITY COUNCIL
CITY OF MARTINSVILLE, VIRGINIA

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**5:00 pm Work Session & Briefing
Room 208, Municipal Building**

1. Discuss Consent Agenda Items

- a. Consider Approval of Minutes, October 22nd
- b. Consider Approval of Sheriff's Honor Guard Donation Appropriation
- c. Consider Approval of Appointment to Children Services Act, Community Policy and Management Team
- d. Consider Second Reading: Request of Right of Way Abandonment Ordinance No. 2024-4
- e. Consider Approval of Police Department HEAT Grant
- f. Consider Approval of Police Department Operation Ceasefire

2. Briefings and Presentations

- a. Briefing of New Non-Emergency Transport Contract with SOVA by Dan Howell, Fire Chief
- b. Briefing of Flood Resilience Study Update by John Turner, EMS
- c. Briefing by Citizen Advisory Board
- d. YMCA Briefing by Brad Kinkema
- e. Discussion of Proposed Charter Changes



MINUTES -- CITY COUNCIL
CITY OF MARTINSVILLE, VIRGINIA

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**7:00 pm - Regular Session
City Council Chambers, Municipal Building**

1. Call to Order
2. Pledge to the American Flag
3. Invocation
 - a. Invocation Led by Pastor Tony Lopez
4. Proclamations and Presentations
 - a. Presentation of Electric Department Recognition by Managing Director of Administration, Travis Hodge
5. Consent Agenda
 - a. Consider Approval of Minutes, October 22nd, 2024
 - b. Consider Approval of Sheriff's Honor Guard Donation Appropriation
 - c. Consider Approval of Appointment to Children Services Act, Community Policy and Management Team
 - d. Consider Second Reading: Request of Right of Way Abandonment Ordinance No. 2024-4
 - e. Consider Approval of Police Department HEAT Grant
 - f. Consider Approval of Police Department Operation Ceasefire
 - i. Consent Agenda **Approved** by Motion made by Councilor Lawson and Seconded by Councilor Mitchell. Approved with the following vote; Lawson, aye; Mitchell, aye; Pearson, aye; Rawls, aye; and Jones, aye.
6. Public Hearing



MINUTES -- CITY COUNCIL
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7. Regular Agenda or New Business

a. Discuss and Consider ARPA Funds

- i. Final Allocations of ARPA Funds for
 - 1. IT Cyber Security and Network Update
 - 2. SCADA System for Water/Sewer
 - 3. Youth Program Fund FY2025
 - 4. Law Clerk Funding FY2025
 - 5. Economic Development Authority

a. **Approved** by Motion made by Councilor Lawson and Seconded by Councilor Pearson. Approved with the following vote; Lawson, aye; Mitchell, aye; Pearson, aye; Rawls, aye; and Jones, aye.

b. Discuss and Consider Proposed Charter Change and Set Public Hearing Date

- i. **Approved Public Hearing date of December 17th, 2024** by Motion made by Councilor Lawson and Seconded by Councilor Mitchell. Approved with the following vote; Lawson, aye; Mitchell, aye; Pearson, aye; Rawls, aye; and Jones, aye.

8. Actions necessary as a result of the Executive Session

9. Communications from Visitors / Business from the Floor

- A. Alexis Heavner, 935 Brookdale St

10. Comments by Members of City Council

11. Communications

- a. City Manager
- b. City Attorney
- c. Financial Update
- d. Public Information Officer

12. Adjournment



STAFF REPORT

MEETINGS: December 17, 2024

TITLE: Review of Transportation Safety Commission Board Application

STAFF RESPONSIBLE Peyton Nibblett, Deputy City Clerk

BACKGROUND/HISTORY

Council must review and confirm Board Appointments in order to fill vacant spots in Martinsville Boards and Commissions.

POLICY EXPLANATION

N/A

FISCAL IMPACT/FUNDING SOURCE

None.

AVAILABLE BUDGET	PURCHASE AMOUNT
N/A	N/A

ACTION REQUESTED/ALTERNATIVES:

1. City Council Approve Board Appointment
2. Reject Board Appointment
3. Other Action as directed by City Council

ATTACHMENTS:



STAFF REPORT

MEETING: December 17th, 2024

TITLE: Proposed Charter Change

STAFF RESPONSIBLE Aretha R. Ferrell-Benavides, City Manager

BACKGROUND/HISTORY

Asking that Council consider amending current City Charter. The proposed amendment provides as follows regarding the city attorney: He shall be an attorney at law or member of a firm of attorneys licensed to practice under the laws of the Commonwealth who shall have actively practiced his profession for at least five (5) years preceding appointment as city attorney. This is to replace the current language in the City's Charter which states; He shall be an attorney at law or member of a firm of attorneys licensed to practice under the laws of the Commonwealth who shall have actively practiced his profession therein for at least five (5) years immediately preceding appointment as city attorney.

Amendment process requires a public hearing.

POLICY EXPLANATION

N/A

FISCAL IMPACT/FUNDING SOURCE

N/A

AVAILABLE BUDGET	PURCHASE AMOUNT
N/A	N/A

ACTION REQUESTED/ALTERNATIVES:

1. City Council Approve Resolution
2. City Council Do Not Approve Resolution
3. Other Actions as Requested by Council



STAFF REPORT

ATTACHMENTS:

1. Charter Change Resolution
2. Published Public Hearing Notice
3. Exhibit A to Charter Change Resolution (showing change to Charter)

NOTICE OF PUBLIC HEARING

PLEASE TAKE NOTICE that the City Council of the City of Martinsville, Virginia will hold a Public Hearing on December 17, 2024 at 7:00 p.m., or soon thereafter, in the City Council Chambers, Second Floor, City of Martinsville Municipal Building, 55 West Church Street, Martinsville, Virginia, on a proposed amendment to the City's Charter. Interested persons may appear at the time and place above stated and may present their views at the public hearing. A copy of the full text of the proposed amendment is on file in the office of the Martinsville City Manager, 55 West Church Street, Martinsville, Virginia 24112 and is available for inspection during normal business hours. The proposed amendment provides as follows regarding the city attorney: He shall be an attorney at law or member of a firm of attorneys licensed to practice under the laws of the Commonwealth who shall have actively practiced his profession for at least five (5) years preceding appointment as city attorney. This is to replace the current language in the City's Charter which states; He shall be an attorney at law or member of a firm of attorneys licensed to practice under the laws of the Commonwealth who shall have actively practiced his profession therein for at least five (5) years immediately preceding appointment as city attorney.

Exhibit A

faithful discharge of his duties to the City, in such penalty as the council shall deem proper.

Subject to the consent of the city manager, the city collector may appoint such deputies and such other employees and assistants as may be necessary to carry on the work in his department in all of its details in an economical and satisfactory manner. The salaries of such deputies, employees and assistants shall be fixed by the City council.

The city collector, his deputies, employees and assistants shall be at all times subject to removal by the city manager. (1950, c. 193)

§ 11. The City council may combine offices where not expressly prohibited, excepting that the assessing and collecting officers shall not be the same person.

All officers hereafter elected under this act, shall be elected at the times and for the terms, as hereinbefore provided, and shall enter upon the discharge of their duties, in accordance with the provisions of the general laws of this State concerning City officers.

The City of Martinsville and the officers thereof, elected or appointed in accordance with the provisions of this act, shall be clothed with all the powers, and be subject to all the provisions of law not in express conflict with the provisions of this act. (1950, c. 193)

Chapter 7. Department of Law.

§ 1. There shall be a department of law which shall consist of the city attorney and such assistant city attorneys and other employees as may be provided by ordinance. The city attorney shall not be employed by the city in a non-attorney position. (1950, c. 193; 2024, c. 566)

§ 2. Qualifications and appointment of city attorney.

The head of the department of law shall be the city attorney. He shall be an attorney at law or member of a firm of attorneys licensed to practice under the laws of the Commonwealth who shall have actively practiced his profession ~~therein~~ for at least five (5) years ~~immediately~~ preceding appointment as city attorney. The city attorney shall be appointed by the council for an indefinite term. (1950, c. 193; 2024, c. 566)



STAFF REPORT

MEETINGS: December 17, 2024

TITLE: Public Hearing on a Resolution Authorizing the Issuance of Water and Sewer Revenue Bonds for the Doe Run, Smith Lake Road, and Martinsville Industrial Sewer Project

STAFF RESPONSIBLE Greg Maggard and Mandy Muse

BACKGROUND/HISTORY

In 2021, a CCTV inspection of the Doe Run, Smith Lake Road, and Industrial Park sewer interceptors was completed. A Preliminary Engineering Report was prepared based on the condition assessment that identified the project needs. An application was submitted in 2022 to the Department of Environmental Quality (DEQ) requesting project funding. The DEQ identified Martinsville's project as a priority project for funding through the Virginia Clean Water Revolving Loan Fund (VCWRLF). Construction plans have since been completed, the project is ready to go out to bid, and the City recently received drafts of the funding and financing agreements.

On September 24, 2024, Council Approved entering into VCWRLF loan and appropriated \$559,610.000 from the Water/Sewer Fund Balance for the Doe Run, Smith Lake Road, and Industrial Park Sewer Improvements.

On November 4, 2024, bids were opened with the low bid coming in at approximately \$2,000,000 over the engineer's estimate. Additionally, previously expended "soft costs" (design, survey, easement acquisition, etc.) were not included in the original cost estimate, creating a budget shortfall of \$2,732,000.

The City contacted the Virginia Clean Water Revolving Loan Fund and has secured additional loan proceeds to resolve the shortfall.

POLICY EXPLANATION

N/A

FISCAL IMPACT/FUNDING SOURCE

Pre-Bid Project Cost Estimate	\$3,593,000
Post-Bid Project Cost	\$6,325,000
DEQ Principal Forgiveness	\$394,341
Estimated Revised Forgiveness	\$816,000
Net Project Cost to City	\$3,198,659
Post Bid Project Cost to City	\$5,509,000
DEQ Loan	\$6,325,000

AVAILABLE BUDGET	PURCHASE AMOUNT
\$6,325,000 VCWRLF Loan	\$6,325,000

ACTION REQUESTED/ALTERNATIVES:

1. City Council Consider Adoption of A RESOLUTION AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA, AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF
2. City Council Do Not Consider Adoption of A RESOLUTION AUTHORIZING THE ISSUANCE OF WATER AND SEWER REVENUE BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA, AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF
3. Other Action as directed by City Council

ATTACHMENTS:

Resolution, Financing Agreements, Project Description, and Location Map

STAFF REPORT

 1. Project Description and Sta	 2022.12.15 - Dewberry Scope of \	 50182511-C-SS OVERALL MAP.pdf	 Form of Financing Agreement-Council	 Financing Resolution-Council	 Form of Funding Agreement-Council
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**A RESOLUTION AUTHORIZING THE ISSUANCE OF WATER AND SEWER
REVENUE BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA,
AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF**

WHEREAS, the City of Martinsville, Virginia (**the “City”**) is authorized to acquire, construct, operate and maintain sewer and wastewater facilities and facilities for the collection, storage, treatment or distribution of water (**together, the “System”**), which System is a revenue producing undertaking of the City; and

WHEREAS, the City is authorized pursuant to the Public Finance Act, Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended (**the “Public Finance Act”**) to borrow money and to issue its revenue bonds to pay all or part of the cost of the System; and

WHEREAS, in the judgment of the City Council (**the “City Council”**) of the City, it is desirable to authorize the issuance and sale of revenue obligations of the City to the Virginia Resources Authority (“**VRA**”) as Administrator of the Virginia Water Facilities Revolving Fund (**the “Fund”**) in a principal amount of up to \$5,889,000 (**the “Principal Repayment Loan”**) to provide funds to pay the cost of capital improvements, repairs and replacements to the City’s System including improvements, repairs and replacements known as the Doe Run, Smith Lake Road, and Martinsville Industrial Sewer Project, together with related legal, consulting and administrative fees and expenses (**the “Project”**); and

WHEREAS, the City has been advised by the Virginia Department of Environmental Quality (“**DEQ**”) that the Project is also eligible for financial assistance from the Fund through a principal forgiveness loan in the amount up to \$950,000 (**the “Principal Forgiveness Loan”**); and

WHEREAS, the total funding provided to the City pursuant to the Fund is to include these two components, the Principal Repayment Loan and the Principal Forgiveness Loan (**collectively, the “Loan”**), with funds under the Principal Forgiveness Loan being provided pursuant to a Funding Agreement between VRA, as Administrator of the Fund, and the City (**the “Funding Agreement”**), and funds under the Principal Repayment Loan being provided pursuant to a Financing Agreement between VRA, as Administrator of the Fund, and the City (**the “Financing Agreement”**); and

WHEREAS, the Project constitutes sewerage facilities and utilities within the meaning of Section 15.2-2109, of the Code of Virginia, 1950, as amended (**the “Virginia Code”**), a revenue producing undertaking within the meaning of Section 15.2-2608 of the Virginia Code and a wastewater treatment facility within the meaning of the term “Project” as defined in Section 62.1-224 of the Virginia Code; and

WHEREAS, the City Council desires to issue the Bond (as defined below) under the provisions of the Public Finance Act and a duly advertised and conducted public hearing has been held with respect to the Bond (as defined below) on December 17, 2024.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY:

1. The Project and Loan are hereby approved and the City is authorized to issue not more than \$5,889,000 in principal amount of a water and sewer revenue bond (**the “Bond”**) in order to pay a portion of the costs of the Project. The city elects to issue the Bond under the Public Finance Act. The Bond shall be issued in a principal amount not to exceed \$5,889,000, shall mature no later than thirty (30) years from the date of issuance, and shall bear a Cost of Funds (as defined in the Financing Agreement) at the rate of one half percent (0.50%) per annum composed of interest to the Fund of 0.30% and a fee of 0.20% payable as an Annual Administrative Fee and otherwise as set forth in the commitment letter from VRA, as Administrator of the Fund, to the City in relation to the Loan. The portion of the funding for the Project comprising the Principal Forgiveness Loan shall be subject to the terms and conditions of the Funding Agreement.
2. The Bond shall be issued to or for the account of VRA, as Administrator of the Fund, pursuant to the terms, conditions and provisions of this Resolution and upon such other terms as may be determined in the manner set forth in this Resolution and the Financing Agreement. The issuance and sale of the Bond in one or more series from time to time in accordance with this Resolution is authorized. The Bond shall be in substantially the form attached to this Resolution as Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution and by VRA.
3. The Financing Agreement and the Funding Agreement will each be in substantially the form presented to and filed with the minutes of the meeting of this City Council at which this Resolution is being adopted. The forms of the Financing Agreement and Funding Agreement and the terms, conditions and provisions thereof are hereby approved by this City Council, and the Mayor, Vice-Mayor or City Manager, any of whom may act, are hereby authorized and directed to execute and deliver to the VRA the Financing Agreement and Funding Agreement in substantially such forms, with such changes and amendments as the officer executing the same shall approve or as shall be necessary to satisfy VRA requirements, such approval to be conclusively evidenced by his or her execution and delivery thereof, and further provided that the total funding provided to the City for the Loan shall not exceed \$6,325,000.
4. The revenues of the System, exclusive of operation and maintenance expenses (**the “Net Revenues Available for Debt Service”**) are irrevocably pledged for the payment of principal of and interest on the Bond. The pledge of Net Revenues Available for Debt Service securing the Bond shall be on parity with any Existing Parity Bonds and Parity Bonds (each as defined in the Financing Agreement) secured by such Net Revenues Available for Debt Service.
5. The Project will constitute a part of the System.

6. The Bond shall be executed, for and on behalf of the City, by the Mayor or the Vice-Mayor of the City, either of whom may act, and shall have the corporate seal of the City impressed thereon, attested by the City Clerk or Deputy City Clerk. The manner of execution and affixation of the seal may be by facsimile, provided, however that if the signatures of the Mayor or Vice Mayor are by facsimile, the Bond shall not be valid until signed by the manual signature of the City Clerk or Deputy City Clerk. The Bond shall be in substantially the form as Exhibit A attached hereto, with such variations, insertions or deletions as may be approved by the officer executing the Bond on the City's behalf. The City's Interim Managing Director of Fiscal Services, Managing Director of Fiscal Services or Finance Director is hereby appointed as the Registrar for the Bond.
7. The Mayor, Vice-Mayor, City Clerk, Interim Managing Director of Fiscal Services, City Attorney, Sands Anderson PC as bond counsel for the City and all other appropriate agents, officers and employees of the City shall take all actions and execute all certificates and documents as shall be necessary to carry out the provisions of this Resolution. The City hereby covenants to comply with the requirements of the Funding Agreement for the Principal Forgiveness Loan and any applicable regulations and other pronouncements and published guidance relating thereto, and the Mayor, Vice-Mayor, City Clerk and other City representatives, any one or more of whom may act, are each hereby authorized to execute and deliver such certifications and reports as may be required by the Funding Agreement for the Principal Forgiveness Loan.
8. Such officers of the City as may be requested are authorized and directed to execute and delivery a nonarbitrage certificate and tax compliance agreement in a form not inconsistent with this Resolution as may be approved by the officers of the City executing such document, whose approval shall be evidenced conclusively by the execution and delivery thereof.
9. The City covenants that it will not directly or indirectly use or permit the use of any of the proceeds of the Bond or any other of its funds, or enter into, or allow any other person or entity to enter into, any arrangement, formal or informal, or take or omit to take, any other action that would cause interest on any Related Series of VRA Bonds (as defined in the Financing Agreement) to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The City also consents to the calculation of any "rebate amount" to be paid with respect to the portion of the Related Series of VRA Bonds related to the Bond by a rebate calculation service selected by VRA.
10. The City covenants that it shall not permit the proceeds of the Bond or the Project financed with the proceeds of the Bond to be used in any manner that would result in: (a) 5% or more of such proceeds or the facilities financed with such proceeds being used in a trade or business carried on by any person other than a

governmental unit, as provided in Section 141(b) of the Internal Revenue Code of 1986, as amended (the “Code”); (b) 5% or more of the proceeds or the Project financed with such proceeds being used with respect to any output facility (other than a facility for the furnishing of water or the transportation and treatment of waste water), within the meaning of Section 141(b)(4) of the Code; or (c) 5% or more of such proceeds being used directly or indirectly to make or finance loans to any persons other than a governmental unit, as provided in Section 141(c) of the Code. Provided, however, that if the City receives an opinion of a nationally-recognized bond counsel that any such covenants need not be complied with to prevent the interest on the Related Series of VRA Bonds from being includable in the gross income of the registered owners thereof for federal income purposes under existing law, the City need not comply with such covenants.

11. The City intends that the proceeds of the Bond be used to reimburse the City for expenditures with respect to the Project (**the Expenditures**) made on or after the date that is no more than 60 days prior to the date of the adoption of this Resolution. The City reasonably expects that it will reimburse the Expenditures with the proceeds of the Bond or other debt. Each Expenditure was or will be, unless otherwise approved by bond counsel, either: (a) of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure); (b) a cost of issuance with respect to the Bond; (c) a nonrecurring item that is not customarily payable from current revenues; or (d) a grant to a party that is not related to or an agent of the City, so long as such grant does not impose any obligation or condition (directly or indirectly) to repay any amount to or for the benefit of the City. The City recognizes that exceptions to these requirements are available for certain “preliminary expenditures” and other expenditures. The City intends that the adoption of this Resolution is declaration of “official intent” within the meaning of Treasury Regulations Section 1.150-2, promulgated under the Internal Revenue Code of 1986, as amended.
12. All other actions of City officials in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bond and consummation of the Loan as authorized herein are ratified, approved and confirmed. City officials are authorized and directed to execute and deliver all certificates and other instruments considered necessary or desirable in connection with the issuance, sale and delivery of the Bond and consummation of the Loan pursuant to this Resolution and to do all acts and things necessary or convenient to carry out the terms and provisions of such documents.
13. All ordinances, resolutions and proceedings in conflict herewith are, to the extent of such conflict, repealed. This Resolution shall constitute the “Local Resolution” as such term is defined in Section 1.1 of the Financing Agreement.
14. This Resolution was presented to the Council and a public hearing concerning this Resolution was held in accordance with applicable law by the Council at its

meeting on December 17, 2024. This Resolution shall become effective upon its passage. A certified copy of this Resolution shall be filed by the City Clerk or Deputy City Clerk with the Clerk of the Circuit Court of the City of Martinsville, Virginia. The filing of this Resolution with the Clerk of the Circuit Court of the City of Martinsville, Virginia shall be deemed to be the filing of an initial resolution or ordinance with such Court for all purposes of the Public Finance Act.

The undersigned Deputy Clerk of the Council hereby certifies that the Resolution set forth above was adopted after a public hearing during an open meeting on December 17, 2024, by the City Council with the following votes by the following named members of Council:

AYES:

NAYS:

ABSTENTIONS:

ABSENT:

CERTIFICATE

I, Peyton Nibblett, Deputy Clerk of the City of Martinsville, Virginia, hereby certify that attached hereto is a true and correct copy of a Resolution adopted by the City Council on December 17, 2024.

Deputy Clerk
City of Martinsville, Virginia

EXHIBIT A

ISSUE DATE:	January , 2025
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UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA

\$ _____
Water and Sewer Revenue Bond, Series 2025

THE CITY OF MARTINSVILLE, VIRGINIA (**the "Borrower"**), a public body politic and corporate of the Commonwealth of Virginia, acknowledges itself indebted and for value received, hereby promises to pay, solely from the revenues and other property hereinafter described and pledged to the payment of this Bond, at the principal office of the Virginia Resources Authority (**the "VRA"**) or VRA's successors or assigns, to the order of VRA, as Administrator of the Virginia Water Facilities Revolving Fund, Richmond, Virginia (**the "Fund"**), or registered assigns or legal representatives, the sum equal to the amount of principal advances made hereunder but not to exceed _____ and 00/100 Dollars (\$ _____), with interest on the disbursed and unpaid principal balance from the date of each disbursement until payment of the entire principal sum at the rate of fifty one-hundredths percent (0.50%) per annum, consisting of (i) interest of thirty one-hundredths percent (0.30%) per annum, payable for the benefit of the Fund, and (ii) twenty one-hundredths percent (0.20%) per annum payable as an Annual Administrative Fee, as follows:

Interest, including the part thereof allocable to the Annual Administrative Fee (**the "Costs of Funds"**) only on all amounts disbursed under this Bond shall be due and payable on _____ 1, 20 ___. Commencing on _____ 1, 20 ___, and continuing semi-annually thereafter on _____ 1 and _____ 1 in each year, principal and the Cost of Funds due under this Bond shall be due and payable in equal installments of \$ _____ with a final installment of \$ _____ due and payable on _____ 1, 20 ___, when, if not sooner paid, all amounts due hereunder shall be due and payable in full provided however, that if principal advances up to the maximum authorized amount are not made, the principal amount due on this Bond shall not include such undisbursed amount. However, unless the Borrower and VRA agree otherwise in writing, until all amounts due hereunder shall have been paid in full, less than the full disbursement of the maximum authorized amount hereunder shall not postpone the due date of any semi-annual installment due hereon, or change the amount of such installment.

In addition, if any installment of principal or Cost of Funds is not received by the holder of this Bond within ten (10) days from its due date, the Borrower shall pay to the holder of this Bond, a late payment charge in an amount equal to five percent (5.0%) of such overdue installment. Principal is payable in lawful money of the United States.

No notation is required to be made on this Bond of the payment of any principal on normal installment dates. HENCE, THE FACE AMOUNT OF THIS BOND MAY EXCEED THE PRINCIPAL SUM REMAINING OUTSTANDING.

This Bond is issued pursuant to the provisions of Chapter 26 of Title 15.2 of the Code of Virginia of 1950 as amended and the terms of the Financing Agreement between the Borrower and the VRA, as Administrator of the Fund, dated as of January 1, 2025 (**the “Financing Agreement”**) to evidence a loan by the VRA, as Administrator of the Fund to the Borrower to finance the Project Costs (as defined in the Financing Agreement). The obligations of the Borrower under this Bond and the Financing Agreement shall terminate when all amounts due and to become due pursuant to this Bond and Financing Agreement have been paid in full. Reference is hereby made to the Financing Agreement and any amendments thereto for the definitions and provisions, among others, describing the pledge and covenants securing this Bond, the nature and extent of the security, the terms and conditions upon which this Bond is issued, and the rights and obligations of the Borrower and the holders of this Bond.

The Net Revenues Available for Debt Service (as defined in the Financing Agreement) are pledged to the payment of principal of this Bond. The lien of this pledge of the Net Revenues Available for Debt Service from the Borrower’s water and wastewater system shall be on parity with any Existing Parity Bonds and Parity Bonds (each as defined in the Financing Agreement). The Borrower may incur additional debt secured by a pledge of Net Revenues Available for Debt Service pursuant to the terms of the Financing Agreement.

Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and the exercise of all other rights and power of the owner.

This Bond is subject to optional prepayment to the extent and on the terms set forth in the Financing Agreement.

If an Event of Default (as defined in the Financing Agreement) occurs, the principal of this Bond may be declared immediately due and payable by the holder by written notice to the Borrower.

Notwithstanding anything in this Bond to the contrary, in addition to the payments of the principal provided by this Bond, the Borrower shall also pay such additional amounts, if any, which may be necessary to provide for payment in full of all amounts due under the Financing Agreement.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed.

IN WITNESS WHEREOF, the Borrower has caused this Bond to be signed by its Mayor or Vice-Mayor, to be attested by its City Clerk, its seal to be affixed hereto and to be dated as of January __, 2025.

**CITY OF MARTINSVILLE,
VIRGINIA**

SEAL

By: _____
Title: Mayor

ATTEST:

Clerk, City of Martinsville, Virginia

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ whose address for registration purposes is _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Tax I.D. No. _____
of Transferee: _____

Signature Guaranteed

(NOTE: the signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.)

SCHEDULE OF PRINCIPAL ADVANCES

The amount and date of principal advances not to exceed the face amount hereof shall be entered hereon by an authorized representative of the VRA when the proceeds of each such advance are delivered to the Borrower.

<u>Amount</u>	<u>Date</u>	<u>Authorized Signatures</u>

Water Resources Project Funding

VIRGINIA RESOURCE AUTHORITY FUNDING APPROVAL FOR DOE
RUN, SMITH LAKE ROAD, AND INDUSTRIAL PARK SEWER
INTERCEPTORS

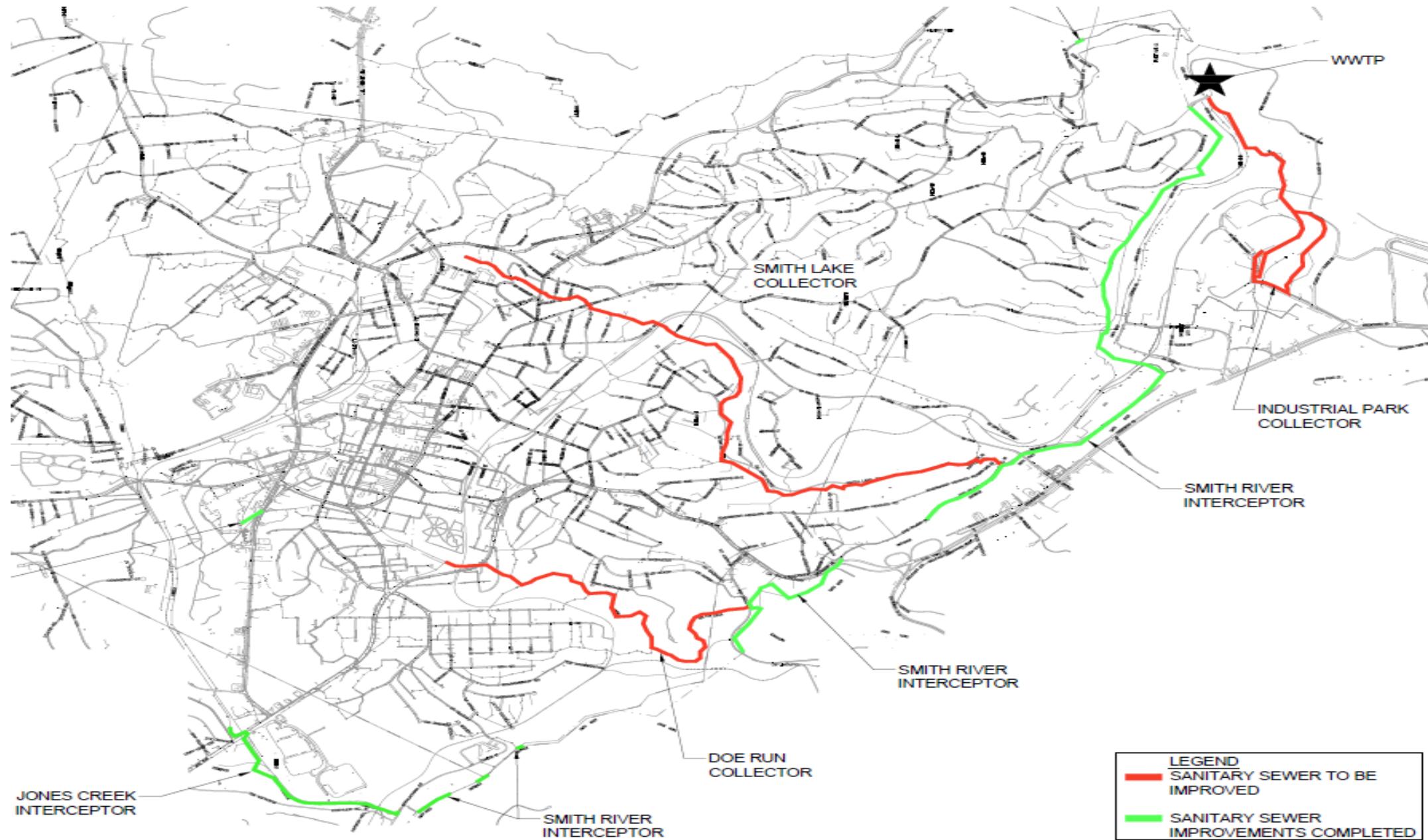


Project Overview

- ❖ The Doe Run Park, Smith Lake Road, and Martinsville Industrial Park are three primary branches from the trunk main.
- ❖ This improvement project was identified as the next step in addressing the significant needs identified within the wastewater collection system.
- ❖ The City has experienced sewer backups, discovered broken clay pipe fragments in downstream pipe runs, and witnessed high flows in these lines following stormwater runoff events.
- ❖ In addition, the Industrial Park collector is undersized to serve the existing industry, contributing to overflows and limiting future capacity for industrial development.

Outcomes

- ❖ Extend the lifespan of existing infrastructure
- ❖ Increase system capacity to accommodate future industrial growth
- ❖ Eliminate sanitary sewer overflows and reportable violations
- ❖ Reduction of Inflow & Infiltration (I&I) to sewer system, decreasing fluctuations in plant flows and treatment processes due to excessive wet weather events
- ❖ Increase consumer confidence and satisfaction



Post-Bid Details	
Construction Subtotal	\$3,265,650
Contingency (10%)	\$326,565
Total Construction Cost Estimate	\$3,593,000
Post Bid Construction Cost	\$6,325,000
DEQ Principal Forgiveness	\$394,341
Potential Revised Forgiveness	\$950,000
Net Project Cost to City	\$3,198,659
Post Bid Project Cost to City	\$5,375,000
DEQ Loan	\$6,325,000

On November 4, 2024, bids were opened with the low bid coming in at approximately \$2,000,000 over the engineer's estimate. Additionally, previously expended "soft costs" (design, survey, easement acquisition, etc.) were not included in the original cost estimate, creating a budget shortfall of \$2,176,341.

The City contacted VCWRLF and has secured additional loan proceeds to resolve the shortfall.

Questions?

FINANCING AGREEMENT

dated as of January __, 2025

BETWEEN

VIRGINIA RESOURCES AUTHORITY,

**as Administrator of the
Virginia Water Facilities Revolving Fund**

AND

CITY OF MARTINSVILLE, VIRGINIA

**Virginia Resources Authority
Virginia Water Facilities Revolving Fund**

Loan No. C-515787

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT is made as of this _____ day of _____, 2025, between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia (the “Authority”), as Administrator of the **VIRGINIA WATER FACILITIES REVOLVING FUND**, and the **CITY OF MARTINSVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the “Borrower”).

Pursuant to Chapter 22, Title 62.1 of the Code of Virginia (1950), as amended (the “Act”), the General Assembly created a permanent and perpetual fund known as the “Virginia Water Facilities Revolving Fund” (the “Fund”). In conjunction with the State Water Control Board, the Authority administers and manages the Fund. From the Fund, the Authority from time to time makes loans to and acquires obligations of local governments in Virginia to finance or refinance the costs of wastewater treatment facilities within the meaning of Section 62.1-224 of the Act.

The Borrower has requested a loan from the Fund and will evidence its obligation to repay such loan by the Local Bond the Borrower will issue and sell to the Authority, as Administrator of the Fund. The Borrower will use the proceeds of the sale of the Local Bond to the Authority to finance that portion of the Project Costs not being paid from other sources, all as further set forth in the Project Budget.

ARTICLE I **DEFINITIONS**

Section 1.1. Definitions. The capitalized terms contained in this Agreement and not defined above shall have the meanings set forth below unless the context requires otherwise and any capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Act:

“Additional Payments” means the payments required by Section 6.2.

“Agreement” means this Financing Agreement between the Authority and the Borrower, together with any amendments or supplements hereto.

“Annual Budget” means the annual budget of the Borrower as described in Section 5.2.

“Annual Administrative Fee” means the portion of the Cost of Funds specified in Section 6.1(a)(ii) payable as an annual fee for administrative and management services attributable to the Local Bond.

“Authorized Representative” means any member, official or employee of the Borrower authorized by resolution, ordinance or other official act of the governing body of the Borrower to perform the act or sign the document in question.

“Board” means the State Water Control Board.

“Closing Date” means the date of the delivery of the Local Bond to the Authority, as Administrator of the Fund.

“Commitment Letter” means the commitment letter from the Authority to the Borrower, dated _____, 2025, and all extensions and amendments thereto.

“Consulting Engineer” means the engineer or the firm of independent consulting engineers of recognized standing and experienced in the field of sanitary engineering and registered to do business in the Commonwealth of Virginia which is designated by the Borrower from time to time as the Borrower’s consulting engineer in accordance with Section 4.5 in a written notice to the Authority. Such individual or firm shall be subject to the reasonable approval of the Authority. Unless and until the Authority notifies the Borrower otherwise, any of the Borrower’s employees that are licensed and registered as professional engineers in the Commonwealth of Virginia may serve as Consulting Engineer under this Agreement.

“Cost of Funds” means interest, including the part thereof allocable to the Annual Administrative Fee, payable as set forth in Section 6.1

“Default” means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“Department” means the Department of Environmental Quality, created and acting under Chapter 11.1, Title 10.1, of the Code of Virginia, as amended.

“Event of Default” shall have the meaning set forth in Section 11.1.

“Existing Parity Bonds” means any of the Borrower’s bonds, notes or other evidences of indebtedness, as further described on Exhibit F, that on the date of the Local Bond’s issuance and delivery were secured by or payable from a pledge of Revenues on a parity with the pledge of Revenues securing the Local Bond.

“Fiscal Year” means the period of twelve months established by the Borrower as its annual accounting period.

“Funding Agreement” means the Funding Agreement, dated as of the date hereof, between the Authority, as Administrator of the Fund, and the Borrower.

“Local Bond” means the bond in substantially the form attached to this Agreement as Exhibit A issued by the Borrower to the Authority, as Administrator of the Fund, pursuant to this Agreement.

“Local Bond Proceeds” means the proceeds of the sale of the Local Bond to the Authority, as Administrator of the Fund, pursuant to this Agreement.

“Local Resolution” means all resolutions or ordinances adopted by the governing body of the Borrower approving the transactions contemplated by and authorizing the execution and delivery of this Agreement and the execution, issuance and delivery of the Local Bond.

“Net Proceeds” means the gross proceeds from any insurance recovery or condemnation award remaining after payment of attorneys’ fees and expenses of the Authority and all other expenses incurred in the collection of such gross proceeds.

“Net Revenues Available for Debt Service” means the Revenues less amounts necessary to pay Operation and Maintenance Expense.

“Operation and Maintenance Expense” means the costs of operating and maintaining the System determined pursuant to generally accepted accounting principles, exclusive of (i) interest on any debt secured by or payable from Revenues, (ii) depreciation and any other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

“Opinion of Counsel” means a written opinion of recognized bond counsel, acceptable to the Authority.

“Parity Bonds” means bonds, notes or other evidences of indebtedness of the Borrower issued under Section 10.5.

“Prior Bonds” means any of the Borrower’s bonds, notes or other evidences of indebtedness, as further described in Exhibit F, that on the date of the Local Bond’s issuance and delivery were secured by or payable from a pledge of Revenues all or any portion of which was superior to the pledge of Revenues securing the Local Bond.

“Project” means the particular project described in Exhibit B, the costs of the construction, acquisition or equipping of which are to be financed or refinanced in whole or in part with the Local Bond Proceeds.

“Project Budget” means the budget for the financing or the refinancing of the Project, a copy of which is attached to this Agreement as Exhibit C, with such changes therein as may be approved in writing by the Authority.

“Project Costs” means the costs of the construction, acquisition, equipping and/or undertaking of the Project, as further described in the Project Budget, and such other costs as may be approved in writing by the Authority, provided such costs are permitted by the Act.

“Qualified Independent Consultant” shall mean an independent professional consultant having the skill and experience necessary to provide the particular certificate, report or approval required by the provision of this Agreement in which such requirement appears, including without limitation a Consulting Engineer, so long as such individual is not an employee of the Borrower, and an independent certified public accountant or firm of independent certified public accountants. Such individual or firm shall be subject to the reasonable approval of the Authority.

“Related Series of VRA Bonds” means any tax-exempt bonds issued by the Authority to finance or refinance the Local Bond and any tax-exempt bonds issued to refund the respective Related Series of VRA Bonds in whole or in part.

“Revenues” means (i) all rates, fees, rentals, charges and income properly allocable to the System in accordance with generally accepted accounting principles or resulting from the Borrower’s ownership or operation of the System, excluding customer and other deposits subject to refund until such deposits have become the Borrower’s property, (ii) the proceeds of any insurance covering business interruption loss relating to the System, (iii) interest on any money or securities related to the System held by or on behalf of the Borrower, and (iv) any other income from other sources pledged by the Borrower to the payment of its Local Bond.

“Service Agreement” means, collectively, the service agreements between the Henry County PSA and the Borrower.

“Subordinate Bonds” means bonds, notes or other evidences of indebtedness of the Borrower secured by or payable from a pledge of Revenues expressly made subordinate to the pledge of Revenues securing the payment of the Local Bond.

“System” means all plants, systems, facilities, equipment or property, including but not limited to the Project, owned, operated or maintained by the Borrower and used in connection with the collection, supply, treatment, storage or distribution of water or the collection or treatment of wastewater as the same may from time to time exist.

“Tax Compliance Agreement” means the Nonarbitrage Certificate and Tax Compliance Agreement, dated the Closing Date, between the Authority and the Borrower, together with any amendments or supplements thereto.

“VRA Trustee” means U.S. Bank Trust Company, National Association, as successor trustee, pursuant to the Second Amended and Restated Master Indenture of Trust dated as of September 1, 2020, as supplemented and amended, between the Authority and the VRA Trustee.

Section 1.2. Rules of Construction. The following rules shall apply to the construction of this Agreement unless the context requires otherwise:

- (a) Singular words shall connote the plural number as well as the singular and vice versa.
- (b) All references in this Agreement to particular Sections or Exhibits are references to Sections or Exhibits of this Agreement unless otherwise indicated.
- (c) The headings and table of contents as used in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

ARTICLE II **REPRESENTATIONS**

Section 2.1. Representations by Borrower. The Borrower makes the following representations as the basis for its undertakings under this Agreement:

- (a) The Borrower is a duly created and validly existing “local government” (as defined in Section 62.1-224 of the Act) of the Commonwealth of Virginia and is vested with the rights and powers conferred upon it by Virginia law.
- (b) The Borrower has full right, power and authority to (i) adopt the Local Resolution and execute and deliver this Agreement, the Tax Compliance Agreement and the other documents related thereto, (ii) issue, sell and deliver the Local Bond to the Authority, as Administrator of the Fund, (iii) own and operate the System, (iv) fix, charge and collect charges for the use of and for the services furnished by the System, (v) construct, acquire, equip and/or undertake the Project (as described in Exhibit B) and finance or refinance the Project Costs by borrowing money for such purpose pursuant to this Agreement and the issuance of the Local Bond, (vi) pledge the Revenues of the System to the payment of the Local Bond, and (vii) carry out and consummate all of the transactions contemplated by the Local Resolution, this Agreement, the Tax Compliance Agreement and the Local Bond.
- (c) This Agreement, the Tax Compliance Agreement and the Local Bond were duly authorized by the Local Resolution and are in substantially the same form as presented to the governing body of the Borrower at its meeting at which the Local Resolution was adopted.
- (d) All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date of the delivery of this Agreement have been obtained for (i) the Borrower’s adoption of the Local Resolution, (ii) the execution and delivery by the Borrower of this Agreement, the Tax Compliance Agreement and the Local Bond, (iii) the performance and enforcement of the obligations of the Borrower

thereunder, (iv) the acquisition, construction, equipping, occupation, operation, use and/or undertaking of the Project, and (v) the operation and use of the System. The Borrower knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations and approvals not obtained as of the date hereof cannot be obtained as needed.

(e) Each of this Agreement and the Tax Compliance Agreement has been executed and delivered by duly authorized officials of the Borrower and constitutes a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its respective terms.

(f) When executed and delivered in accordance with the Local Resolution and this Agreement, the Local Bond will have been executed and delivered by duly authorized officials of the Borrower and will constitute a legal, valid and binding limited obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(g) The issuance of the Local Bond and the execution and delivery of this Agreement and the Tax Compliance Agreement and the performance by the Borrower of its obligations thereunder are within the powers of the Borrower and will not conflict with, or constitute a breach or result in a violation of, (i) to the best of the Borrower's knowledge, any Federal, or Virginia constitutional or statutory provision, including the Borrower's charter or articles of incorporation, if any, (ii) any agreement or other instrument to which the Borrower is a party or by which it is bound or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the Borrower or its property.

(h) The Borrower is not in default in the payment of the principal of or interest on any of its indebtedness for borrowed money and is not in default under any instrument under and subject to which any indebtedness for borrowed money has been incurred. No event or condition has happened or existed, or is happening or existing, under the provisions of any such instrument, including but not limited to this Agreement and the Tax Compliance Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

(i) The Borrower (i) to the best of the Borrower's knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way which would have a material adverse effect on its financial condition or its ability to perform its obligations under this Agreement, the Tax Compliance Agreement or the Local Bond and (ii) is not in default under any indenture, mortgage, deed of trust, lien, lease, contract, note, order, judgment, decree or other agreement, instrument or restriction of any kind to which the Borrower is a party or by which it is bound or to which any of its assets is subject, which would have a material adverse effect on its financial condition or its ability to perform its obligations under this Agreement, the Tax Compliance Agreement or the Local Bond. The execution and delivery by the Borrower of this Agreement, the Tax Compliance Agreement or the Local Bond and the compliance with the terms and conditions thereof will not conflict with or result in a breach of or constitute a default under any of the foregoing.

(j) There are not pending nor, to the best of the Borrower's knowledge, threatened against the Borrower, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature, (i) affecting the creation, organization or existence of the Borrower or the title of its officers to their respective offices, (ii) seeking to prohibit, restrain or enjoin the approval, execution, delivery or performance of the Local Resolution, this Agreement, the Tax Compliance Agreement or the Local Bond or the issuance or delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Resolution, this Agreement, the Tax Compliance Agreement, the Local Bond or any agreement or instrument relating to any of the foregoing, (iv) in which a judgment, order or resolution may have a material adverse effect on the Borrower or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Resolution, this Agreement, the Tax Compliance Agreement or the Local Bond, (v) in any way affecting or contesting the undertaking of the Project, or (vi) contesting or challenging the power of the Borrower to pledge the Revenues to the payment of the Local Bond.

(k) There have been no defaults by any contractor or subcontractor under any contract made by the Borrower in connection with the construction or equipping of the Project.

(l) No material adverse change has occurred in the financial condition of the Borrower as indicated in the financial statements, applications and other information furnished to the Authority.

(m) Except as may otherwise be approved by the Authority or permitted by the terms of this Agreement, the System at all times is and will be owned by the Borrower and will not be operated or controlled by any other entity or person.

(n) There is no indebtedness of the Borrower secured by or payable from a pledge of Revenues on a parity with or prior to the lien of the pledge of Revenues securing the Local Bond except any Existing Parity Bonds or Prior Bonds set forth on Exhibit F.

(o) Except for obligations, rights and remedies subject to the Service AgreementLitigation (as defined below), the Service Agreement is in full force and effect; no default or event of default has occurred and is continuing under the Service Agreement; and the Borrower is not currently aware of any fact or circumstance that would have an adverse impact on the Borrower's right to obtain wastewater treatment or to exercise any rights and remedies available to the Borrower, under or pursuant to the Service Agreement. The Authority acknowledges that the Borrower and the Henry County PSA are currently in litigation in which the Borrower alleges that the Henry County PSA is in breach of certain Service Agreement provisions to pay for portions of the cost of certain System improvements including the Smith River interceptor and the Jones Creek interceptor (the "Service Agreement Litigation").

(p) No Event of Default or Default has occurred and is continuing

ARTICLE III
ISSUANCE AND DELIVERY OF THE LOCAL BOND

Section 3.1. Loan to Borrower and Purchase of the Local Bond. The Borrower agrees to borrow from the Authority, and the Authority agrees to lend to the Borrower, from the Fund, the principal amount equal to the sum of the principal disbursements made pursuant to Section 4.1, but not to exceed \$ _____, for the purposes herein set forth. The Borrower's obligation shall be evidenced by the Local Bond, which shall be in substantially the form of Exhibit A attached hereto and made a part hereof and delivered to the Authority on the Closing Date. The Local Bond shall be in the original principal amount of the loan, bear a Cost of Funds, and shall mature and be payable as hereinafter provided.

Section 3.2. Conditions Precedent to Purchase of the Local Bond. The Authority shall not be required to make the loan to the Borrower and purchase the Local Bond unless the Authority shall have received the following, all in form and substance satisfactory to the Authority:

- (a) The Local Bond and the Funding Agreement.
- (b) A certified copy of the Local Resolution.
- (c) A certificate of appropriate officials of the Borrower as to the matters set forth in Section 2.1 and such other matters as the Authority may reasonably require.
- (d) A closing certificate from the Department certifying that the Project is in compliance with all federal and state laws and project requirements applicable to the Fund and evidencing the Board's concurrence in the closing of the loan with the Borrower.
- (e) A certificate of the Consulting Engineer estimating the total Project Costs to be financed with the Local Bond Proceeds, which estimate is in an amount and otherwise compatible with the financing plan described in the Project Budget.
- (f) A certificate of the Consulting Engineer to the effect that in the opinion of the Consulting Engineer (i) the Project will be a part of the System, and (ii) the Local Bond Proceeds and funds available from the other sources specified in the Project Budget will be sufficient to pay the estimated Project Costs.
- (g) A certificate, including supporting documentation, of a Qualified Independent Consultant that in the opinion of the Qualified Independent Consultant, during the first two complete Fiscal Years of the Borrower following completion of the Project, the projected Net Revenues Available for Debt Service will satisfy the rate covenant made by the Borrower in Section 5.1(a). In providing this certificate, the Qualified Independent Consultant may take into consideration (i) future System rate increases, provided that such rate increases have been duly approved by the governing body of the Borrower and any other person or entity required to give approval for the rate increase to become effective and (ii) additional future

revenues to be derived under existing contractual arrangements entered into by the Borrower and from reasonable estimates of growth in the consumer base of the Borrower.

(h) A certificate of the Consulting Engineer as to the date the Borrower is expected to complete the acquisition, construction, equipping and/or undertaking of the Project.

(i) Evidence satisfactory to the Authority that all governmental permits, licenses, registrations, certificates, authorizations and approvals for the Project required to have been obtained as of the date of the delivery of this Agreement have been obtained and a statement of the Consulting Engineer that he knows of no reason why any future required governmental permits, licenses, registrations, certificates, authorizations and approvals cannot be obtained as needed.

(j) Evidence satisfactory to the Authority that the Borrower has obtained or has made arrangements satisfactory to the Authority to obtain any funds or other financing for the Project as contemplated in the Project Budget.

(k) Evidence satisfactory to the Authority that the Borrower has performed and satisfied all of the terms and conditions contained in this Agreement to be performed and satisfied by it as of such date.

(l) An Opinion of Counsel, substantially in the form of Exhibit D, addressed to the Fund and the Authority.

(m) An opinion of counsel to the Borrower in form and substance reasonably satisfactory to the Authority.

(n) An original, executed copy of the Tax Compliance Agreement.

(o) Evidence satisfactory to the Authority that the Borrower has complied with the insurance provisions set forth in Sections 9.1 and 9.2 hereof.

(p) Evidence that the Borrower has satisfied all conditions precedent to the issuance of the Local Bond as a "Parity Bond" under the financing agreements for the Existing Parity Bonds.

(q) Subject to the service Agreement Litigation, evidence satisfactory to the Authority that the Service Agreement is in full force and effect and that it is a binding and enforceable agreement as to each of the Borrower and the other parties to such agreement.

(r) Such other documentation, certificates and opinions as the Authority, the Board or the Department may reasonably require, including an opinion from counsel acceptable to the Authority that this Agreement and the Tax Compliance Agreement are valid and enforceable against the Borrower in accordance with their terms.

ARTICLE IV
USE OF LOCAL BOND PROCEEDS AND CONSTRUCTION OF PROJECT

Section 4.1. Application of Proceeds.

(a) The Borrower agrees to apply the Local Bond Proceeds solely and exclusively to the payment, or to the reimbursement of the Borrower for the payment, of Project Costs and further agrees to exhibit to the Department or the Authority receipts, vouchers, statements, bills of sale or other evidence of the actual payment of such Project Costs. The Authority shall disburse money from the Fund to or for the account of the Borrower not more frequently than once each calendar month (unless otherwise agreed by the Authority and the Borrower) upon receipt by the Authority (with a copy to be furnished to the Department) of the following:

(1) A requisition (upon which the Authority, the Board and the Department shall be entitled to rely) signed by an Authorized Representative and containing all information called for by, and otherwise being in the form of, Exhibit E to this Agreement;

(2) If any requisition includes an item for payment for labor or to contractors, builders or materialmen,

(i) a certificate, signed by the Consulting Engineer, stating that such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the Project; and

(ii) a certificate, signed by an Authorized Representative, stating either that such materials, supplies or equipment are not subject to any lien or security interest or that such lien or security interest will be released or discharged upon payment of the requisition.

Upon receipt of each such requisition and accompanying certificate or certificates and approval thereof by the Department, the Authority shall disburse Local Bond Proceeds hereunder to or for the account of the Borrower in accordance with such requisition in an amount and to the extent approved by the Department and shall note the date and amount of each such disbursement on a schedule of principal disbursements to be included on the Local Bond. The Authority shall have no obligation to disburse any such Local Bond Proceeds if the Borrower is in default hereunder nor shall the Department have any obligation to approve any requisition if the Borrower is not in compliance with the terms of this Agreement.

(b) The Borrower shall comply with all applicable laws of the Commonwealth of Virginia, including but not limited to, the Virginia Public Procurement Act, as amended, regarding the awarding and performance of public construction contracts related to the Project. Except as may otherwise be approved by the Department, disbursements shall be held at ninety-five percent (95%) of the maximum authorized amount of the Local Bond to ensure satisfactory

completion of the Project. Disbursements of Local Bond Proceeds shall also be held if the Borrower does not timely provide a draft FSP and final FSP to the Department as set forth in Section 10.13 herein. Upon receipt from the Borrower of the certificate specified in Section 4.2 and a final requisition detailing all retainages to which the Borrower is then entitled, the Authority, to the extent approved by the Department and subject to the provisions of this Section and Section 4.2, will disburse to or for the account of the Borrower Local Bond Proceeds to the extent of such approval.

The Authority shall have no obligation to disburse Local Bond Proceeds in excess of the amount necessary to pay for approved Project Costs. If principal disbursements up to the maximum authorized amount of the Local Bond are not made, principal installments due on the Local Bond shall be reduced only in accordance with Section 6.1.

Section 4.2. Agreement to Accomplish Project. The Borrower agrees to cause the Project to be acquired, constructed, expanded, renovated or equipped as described in Exhibit B and in accordance with the Project Budget and the plans, specifications and designs prepared by the Consulting Engineer and approved by the Department. The Borrower shall use its best efforts to complete the Project by the date set forth in the certificate provided to the Authority pursuant to Section 3.2(g). All plans, specifications and designs shall be approved by all applicable regulatory agencies. The Borrower agrees to maintain complete and accurate books and records of the Project Costs and permit the Authority and the Department through their duly authorized representatives to inspect such books and records at any reasonable time. The Borrower and the Authority, with the consent of the Department, may amend the description of the Project set forth in Exhibit B.

When the Project has been completed, the Borrower shall promptly deliver to the Authority and the Department a certificate signed by an Authorized Representative of the Borrower and by the Consulting Engineer stating (i) that the Project has been completed substantially in accordance with this Section, the plans and specifications as amended from time to time, as approved by the Department, and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion, (iii) that all certificates of occupancy or other material permits necessary for the Project's use, occupancy and operation have been issued or obtained, and (iv) the amount, if any, to be reserved for payment of Project Costs.

Section 4.3. Permits. The Borrower, at its sole cost and expense, shall comply with, and shall obtain all permits, consents and approvals required by local, state or federal laws, ordinances, rules, regulations or requirements in connection with the acquisition, construction, equipping, occupation, operation or use of the Project. The Borrower shall, upon request, promptly furnish to the Authority and the Department copies of all such permits, consents and approvals. The Borrower shall also comply with all applicable lawful program or procedural guidelines or requirements duly promulgated and amended from time to time by the Department in connection with the acquisition, construction, equipping, occupation, operation or use of projects financed from the Fund under the Act, including, but not limited to, those pertaining to

the adoption of any requisite sewer use. The Borrower shall also comply in all respects with all applicable federal laws, regulations and other requirements relating to or arising out of or in connection with the Project and the funding thereof from the Fund. Where noncompliance with such requirements is determined by the Authority or the Department, the issue shall be referred to the proper governmental authority or agency for consultation or enforcement action.

Section 4.4. Construction Contractors. Each construction contractor employed in the accomplishment of the Project shall be required in the construction contract to furnish a performance bond and a payment bond each in an amount equal to one hundred percent (100%) of the particular contract price. Such bonds shall list the Borrower, the Fund, the Authority, the Department and the Board as beneficiaries. Each contractor shall be required to maintain during the construction period covered by the particular construction contract builder's risk insurance, workers' compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Consulting Engineer. Upon request of the Authority, the Department or the Board, the Borrower shall cause each contractor to furnish evidence of such bonds and insurance to the Authority, the Department and the Board.

Section 4.5. Engineering Services. The Borrower shall retain a Consulting Engineer to provide engineering services covering the operation of the System and the supervision and inspection of the construction of the Project. The Borrower shall provide written notice to the Authority of the designation of such Consulting Engineer. The Consulting Engineer shall certify to the Authority and the Department as to the various stages of the completion of the Project as disbursements of Local Bond Proceeds are requested and shall upon completion of the Project provide to the Authority and the Department the certificates required by Sections 4.1 and 4.2.

Section 4.6. Borrower Required to Complete Project. If the Local Bond Proceeds are not sufficient to pay in full the cost of the Project, the Borrower will complete the Project at its own expense and shall not be entitled to any reimbursement therefor from the Fund, the Authority, the Department or the Board or any abatement, diminution or postponement of the Borrower's payments under the Local Bond or this Agreement.

ARTICLE V **PLEDGE, REVENUES AND RATES**

Section 5.1. Pledge of Revenues. Subject to the Borrower's right to apply Revenues to the payment of Operation and Maintenance Expense, the Revenues are hereby pledged to the Authority, as Administrator of the Fund, to secure the payment of the principal of and Cost of Funds on the Local Bond and the payment and performance of the Borrower's obligations under this Agreement. This pledge shall be valid and binding from and after the execution and delivery of this Agreement. The Revenues, as received by the Borrower, shall immediately be subject to the lien of this pledge without any physical delivery of them or further act. The lien of this pledge of the Revenues is on a parity with the lien of the pledge securing the Existing Parity Bonds. The lien of

this pledge shall, subject to the right of the Borrower to apply Revenues to the payment of Operation and Maintenance Expense, have priority over all other obligations and liabilities of the Borrower, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Borrower regardless of whether such parties have notice of this pledge.

(a) The Borrower covenants and agrees that it will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the System, and will from time to time revise such rates, fees and other charges so that in each Fiscal Year the Net Revenues Available for Debt Service (inclusive of transfers out of the water and sewer enterprise funds and increases in the amounts classified as due from other funds of the Borrower) will equal at least 115% of the amount required during the Fiscal Year to pay the principal of and Cost of Funds on the Local Bond, the Additional Payments, any Prior Bonds, any Existing Parity Bonds and Parity Bonds, and all other indebtedness of the Borrower secured by or payable from Revenues, including without limitation, indebtedness under leases which are treated as capital leases under generally accepted accounting principles. If, for any reason, the Revenues are insufficient to satisfy the foregoing covenant, the Borrower shall within ninety (90) days adjust and increase its rates, fees and other charges or reduce its Operation and Maintenance Expense so as to provide sufficient Revenues to satisfy such requirement.

(b) On or before the last day of each Fiscal Year, the Borrower shall review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the Borrower's rates, fees and other charges are insufficient to satisfy the rate covenant in subsection (a) of this Section, the Borrower shall promptly take appropriate action to increase its rates, fees and other charges or reduce its Operation and Maintenance Expense to cure any deficiency.

Section 5.2. Annual Budget. Not less than fifteen (15) days before the first day of each Fiscal Year, the Borrower shall submit to its governing body and to the Authority a copy of a preliminary annual budget, containing all information called for by, and otherwise being in the form of, Exhibit H to this Agreement, for such Fiscal Year setting forth a schedule of the rates, fees and other charges to be imposed by the Borrower, the Revenues estimated to be generated thereby and the expenditures anticipated by the Borrower for operations, maintenance, repairs, replacements, improvements, debt service and other purposes. The Borrower agrees before the first day of each Fiscal Year to adopt a budget for such Fiscal Year containing the information required to be included in the preliminary budget. Such budget as approved by the Borrower's governing body is referred to in this Agreement as the "Annual Budget." The Borrower may at any time during any Fiscal Year amend the Annual Budget for such Fiscal Year so long as such amendment does not result in a Default. The Borrower shall submit a copy of the Annual Budget and any amendments thereto to the Authority.

Section 5.3. Qualified Independent Consultant's Report. (a) If at the end of any Fiscal Year, the Borrower is not in compliance with the rate covenant made by the Borrower in Section 5.1(a), within two hundred ten (210) days after the end of such Fiscal Year, the Borrower shall obtain a report from the Qualified Independent Consultant giving advice and making

recommendations as to the proper maintenance, repair, replacement and operation of the System for the next ensuing Fiscal Year and estimating the costs thereof as to the rates, fees, and other charges which should be established by the Borrower to satisfy the rate covenant in Section 5.1(a). The Borrower shall promptly furnish a copy of such report to the Authority and, subject to Section 5.3(b), take measures to implement the recommendations of the Qualified Independent Consultant within ninety (90) days of obtaining such report.

(b) If the Borrower determines that the Qualified Independent Consultant's recommendations are impractical or inappropriate, the Borrower may in lieu thereof adopt other procedures which the Borrower believes will bring it into compliance with the rate covenant made by the Borrower in Section 5.1(a) when such measures have been implemented and become fully effective. Such alternative plan shall be filed with the Authority not later than thirty (30) days after receipt of the Qualified Independent Consultant's report along with a detailed explanation of the Borrower's reason for rejecting the Qualified Independent Consultant's recommendations. Notwithstanding anything herein to the contrary, the Authority reserves the right, in its sole discretion, to reject such alternate procedures and require the Borrower to comply with the Qualified Independent Consultant's recommendations.

ARTICLE VI **PAYMENTS**

Section 6.1. Payment of Local Bond. (a) The Local Bond shall be dated the date of its delivery to the Authority. The Cost of Funds on the Local Bond shall be computed on disbursed principal balance thereof from the date of each disbursement at the rate of fifty one-hundredths percent (0.50%) per annum, consisting of the following:

(i) interest of thirty one-hundredths percent (0.30%) per annum payable for the benefit of the Fund, and

(ii) twenty one-hundredths percent (0.20%) per annum payable as an Annual Administrative Fee.

(b) The Cost of Funds only on all amounts disbursed under the Local Bond shall be due and payable on _____ 1, 20_____. Commencing _____ 1, 20_____, and continuing semi-annually thereafter on each _____ 1 and _____ 1, principal due under the Local Bond shall be payable in equal installments of \$_____, with a final installment of \$_____ due and payable on _____ 1, 20____ when, if not sooner paid, all amounts due hereunder and under the Local Bond shall be due and payable in full. Each installment shall be applied first to payment of the Cost of Funds accrued and unpaid to the payment date and then to principal. If principal disbursements up to the maximum authorized amount of the Local Bond are not made, the principal amount due on the Local Bond shall not include such undisbursed amount. However, unless the Borrower and the Authority agree otherwise in writing, until all amounts due hereunder and under the Local Bond shall have been paid in full, less than full disbursement

of the maximum authorized amount of the Local Bond shall not postpone the due date of any semi-annual installment due on the Local Bond, or change the amount of such installment. If any installment of principal or Cost of Funds on the Local Bond is not paid within ten (10) days after its due date, the Borrower agrees to pay to the Authority a late payment charge in an amount equal to five percent (5.0%) of the overdue installment.

Section 6.2. Payment of Additional Payments. In addition to the payments of principal of and Cost of Funds on the Local Bond, the Borrower agrees to pay on demand of the Authority the following Additional Payments:

- (1) The costs of the Fund, the Authority, the Department or the Board in connection with the enforcement of this Agreement, including the reasonable fees and expenses of any attorneys used by any of them; and
- (2) All expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof.

The Borrower agrees to pay interest on any Additional Payments enumerated in (1) or (2) above not received by the Authority within ten (10) days after demand therefor at a rate of five percent (5.0%) per annum of the overdue installment from its due date until the date it is paid.

Section 6.3 Payments and Rights Assigned. The Borrower consents to the Authority's right to assign to the VRA Trustee the Local Bond and the Authority's rights under this Agreement upon the issuance of any Related Series of VRA Bonds.

ARTICLE VII **PREPAYMENTS**

Section 7.1. Prepayment of Local Bond. The Borrower may not prepay or refund the Local Bond without the written consent of the Authority. Any prepayment or refunding that is approved by the Authority shall occur in such manner and in such amount, and shall be subject to such conditions as the Authority shall determine.

ARTICLE VIII **OPERATION AND USE OF SYSTEM**

Section 8.1. Ownership and Operation of Project and System. Except as may be otherwise approved by the Authority or permitted by the terms hereof, the Project and the System at all times shall be owned by the Borrower and shall not be operated or controlled by any other entity or person.

Section 8.2. Maintenance. At its own cost and expense, the Borrower shall operate the System in a proper, sound and economical manner and in compliance with all legal requirements, shall maintain the System in good repair and operating condition and from time to time shall make all necessary repairs, renewals and replacements.

Section 8.3. Additions and Modifications. At its own expense, the Borrower from time to time may make any additions, modifications, replacements or improvements to the System which it deems desirable and which do not materially reduce the value of the System or the structural or operational integrity of any part of the System, provided that all such additions, modifications or improvements comply with all applicable federal, state and local laws, rules, regulations, orders, permits, authorizations and requirements. All such renewals, replacements, additions, modifications and improvements shall become part of the System.

Section 8.4. Use of System. The Borrower shall comply with all lawful requirements of any governmental authority regarding the System, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational and other changes to the System, irrespective of the cost of making the same.

Section 8.5. Inspection of System and Borrower's Books and Records. The Authority and the Department and their duly authorized representatives and agents shall have such reasonable rights of access to the System as may be necessary to determine whether the Borrower is in compliance with the requirements of this Agreement and shall have the right at all reasonable times and upon reasonable prior notice to the Borrower to examine and copy the books and records of the Borrower insofar as such books and records relate to the System.

Section 8.6. Ownership of Land. The Borrower shall not construct, reconstruct or install any part of the System on lands other than those which the Borrower owns or can acquire title to or a perpetual easement over, in either case sufficient for the Borrower's purposes, unless such part of the System is lawfully located in a public street or highway or is a main, conduit, pipeline, main connection or facility located on land in which the Borrower has acquired a right or interest less than a fee simple or perpetual easement and such lesser right or interest has been approved by written opinion of counsel to the Borrower as sufficient for the Borrower's purposes.

Section 8.7. Sale or Encumbrance. No part of the System shall be sold, exchanged, leased, mortgaged, encumbered or otherwise disposed of except as provided in any one of the following subsections, or as may be otherwise consented and agreed to by the Authority in writing:

(a) The Borrower may grant easements, licenses or permits across, over or under parts of the System for streets, roads and utilities as will not adversely affect the use of the System;

(b) The Borrower may sell or otherwise dispose of property constituting part of the System if it uses the proceeds of such disposition and any other necessary funds to replace such property with property serving the same or a similar function; and

(c) The Borrower may sell or otherwise dispose of property constituting part of the System; provided, however, (i) no such property shall be sold or otherwise disposed of unless there is filed with the Authority a certificate of the Borrower, signed by an Authorized Representative, stating that such property is no longer needed or useful in the operation of the System, and, if the proceeds of such sale or disposition, together with the aggregate value of any other property sold or otherwise disposed of during the Fiscal Year, shall exceed \$125,000, there shall also be filed with the Borrower and the Authority a certificate of the Consulting Engineer stating that such property is not necessary or useful to the operation of the System, and (ii) the proceeds to be received from any sale or disposition shall be applied first to cure any default that may exist in the payment of the principal of and Cost of Funds on the Local Bond and then to such other purposes as may be approved by the Authority.

Section 8.8. Collection of Revenues. The Borrower shall use its best efforts to collect all rates, fees and other charges due to it and shall perfect liens on premises served by the System for the amount of all delinquent rates, fees and other charges where such action is permitted by law. The Borrower shall, to the full extent permitted by law, discontinue and shut off, or cause to be discontinued and shut off, services and facilities of the System, and use its best efforts to cause to be shut off water service furnished otherwise than through the System, to customers of the System who are delinquent beyond any customary grace periods in the payment of rates, fees and other charges due to the Borrower.

Section 8.9. No Free Service. The Borrower shall not permit connections with or any use of the System, or furnish any services afforded by the System, without making a charge therefor based on the Borrower's uniform schedule of rates, fees and charges.

Section 8.10. No Competing Service. The Borrower shall not provide, grant any franchise to provide or give consent for anyone else to provide, any services which would compete with the System.

Section 8.11. Mandatory Connection. The Borrower shall adopt and enforce rules and regulations, consistent with applicable laws, requiring the owner, tenant or occupant of each lot or parcel of land which is served or may reasonably be served by the System and upon which lot or parcel a building shall have been constructed for residential, commercial or industrial use, to connect such building to the System; provided, however, such rules and regulations may permit and provide that any such building already in existence at the time the services of the System became available to the applicable lot or parcel may continue to use a private sewage disposal system approved by the applicable board of health or health officer until such approved private sewage disposal system shall cease to be approved or shall require major repairs to continue to be approved, at which time such building shall be required to connect to the System.

Section 8.12. Lawful Charges. The Borrower shall pay when due all taxes, fees, assessments, levies and other governmental charges of any kind whatsoever (collectively, the “Governmental Charges”) which are (i) assessed, levied or imposed against the System or the Borrower’s interest in it, or (ii) incurred in the operation, maintenance, use and occupancy of the System. The Borrower shall pay or cause to be discharged, or shall make adequate provision to pay or discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the System or the Revenues (collectively, the “Mechanics’ Charges”). The Borrower, however, after giving the Authority ten (10) days’ notice of its intention to do so, at its own expense and in its own name, may contest in good faith any Governmental Charges or Mechanics’ Charges. If such a contest occurs, the Borrower may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in the reasonable opinion of the Authority, such action may impair the lien on Revenues granted by this Agreement, in which event, such Governmental Charges or Mechanics’ Charges promptly shall be satisfied or secured by posting with the Authority or an appropriate court a bond in form and amount reasonably satisfactory to the Authority. Upon request, the Borrower shall furnish to the Authority proof of payment of all Governmental Charges and the Mechanics’ Charges required to be paid by the Borrower under this Agreement.

ARTICLE IX **INSURANCE, DAMAGE AND DESTRUCTION**

Section 9.1. Insurance. Unless the Authority otherwise agrees in writing, the Borrower continuously shall maintain or cause to be maintained insurance against such risks as are customarily insured against by public bodies operating systems similar in size and character to the System, including, without limitation:

(a) Insurance in the amount of the full replacement cost of the System’s insurable portions against loss or damage by fire and lightning, with broad form extended coverage endorsements covering damage by windstorm, explosion, aircraft, smoke, sprinkler leakage, vandalism, malicious mischief and such other risks as are normally covered by such endorsements (limited only as may be provided in the standard form of such endorsements at the time in use in Virginia); provided that during the construction of the Project, the Borrower may provide or cause to be provided, in lieu of the insurance in the amount of the full replacement cost of the Project, builders’ risk or similar types of insurance in the amount of the full replacement cost thereof. The determination of replacement cost shall be made by a recognized appraiser or insurer selected by the Borrower and reasonably acceptable to the Authority.

(b) Comprehensive general liability insurance, with at least a combined single limit of \$2,000,000 per year against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of use thereof, arising out of the ownership, maintenance, operation or use of the System.

(c) Unless the Borrower qualifies as a self-insurer under the laws of the Commonwealth of Virginia, workers' compensation insurance.

The Authority shall not have any responsibility or obligation with respect to (i) the procurement or maintenance of insurance or the amounts or the provisions with respect to policies of insurance, or (ii) the application of the proceeds of insurance.

The Borrower shall provide no less often than annually and upon the written request of the Authority a certificate or certificates of the respective insurers evidencing the fact that the insurance required by this Section is in full force and effect.

Section 9.2. Requirements of Policies. All insurance required by Section 9.1 shall be maintained with generally recognized, responsible insurance companies selected by the Borrower and reasonably acceptable to the Authority. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other utility systems of like size and character to the System, and shall contain an undertaking by the insurer that such policy shall not be modified adversely to the interests of, or canceled without at least thirty (30) days' prior notice to, the Authority. If any such insurance is not maintained with an insurer licensed to do business in Virginia or placed pursuant to the requirements of the Virginia Surplus Lines Insurance Law (Chapter 48, Title 38.2, Code of Virginia of 1950, as amended) or any successor provision of law, the Borrower shall provide evidence reasonably satisfactory to the Authority that such insurance is enforceable under Virginia law.

Section 9.3. Notice of Damage, Destruction and Condemnation. In the case of (i) any damage to or destruction of any material part of the System, (ii) a taking of all or any part of the System or any right therein under the exercise of the power of eminent domain, (iii) any loss of the System because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Borrower shall give prompt notice thereof to the Authority describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 9.4. Damage and Destruction. If all or any part of the System is destroyed or damaged by fire or other casualty, and the Borrower shall not have exercised its option to prepay in full the Local Bond pursuant to Article VII, the Borrower shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage or destruction, with such alterations and additions as the Borrower may determine and which will not impair the capacity or character of the System for the purpose for which it then is being used or is intended to be used. The Borrower may apply so much as may be necessary of the Net Proceeds of insurance received on account of any such damage or destruction to payment of the cost of such restoration, either on completion or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the Borrower shall pay so much of the cost as may be in excess of such Net Proceeds. If the Net Proceeds are derived from property constituting part of the Project, any balance of such Net Proceeds remaining after payment of the

cost of such restoration shall promptly be applied to the prepayment of the Local Bond pursuant to Article VII.

Section 9.5. Condemnation and Loss of Title. If title to or the temporary use of all or any part of the System shall be taken under the exercise of the power of eminent domain or lost because of failure of title, and the Borrower shall not have exercised its option to prepay in full the Local Bond pursuant to Article VII, the Borrower shall cause the Net Proceeds from any such condemnation award or from title insurance to be applied to the restoration of the System to substantially its condition before the exercise of such power of eminent domain or failure of title. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the Borrower shall pay so much of the cost as may be in excess of such Net Proceeds. If the Net Proceeds are derived from property constituting part of the Project, any balance of such Net Proceeds remaining after payment of the cost of such restoration shall promptly be applied to the prepayment of the Local Bond pursuant to Article VII.

ARTICLE X **SPECIAL COVENANTS**

Section 10.1. Maintenance of Existence. The Borrower shall maintain its existence as a “local government” (as defined in the Act) of the Commonwealth of Virginia and, without consent of the Authority and the Department, shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity. Notwithstanding the foregoing, the Borrower may consolidate or merge with or into, or sell or otherwise transfer all or substantially all of its assets to a political subdivision of the Commonwealth of Virginia, and the Borrower thereafter may dissolve, if the surviving, resulting or transferee political subdivision, if other than the Borrower, assumes, in written form acceptable to the Authority and the Department, all of the obligations of the Borrower contained in the Local Bond and this Agreement, and there is furnished to the Authority and the Department an Opinion of Counsel acceptable to the Authority and the Department, subject to customary exceptions and qualifications, to the effect that such assumption constitutes the legal, valid and binding obligation of the surviving, resulting or transferee political subdivision enforceable against it in accordance with its terms.

Section 10.2. Financial Records and Statements. The Borrower shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its business and affairs related to the System. The Borrower shall have an annual audit of the financial condition of the Borrower (and at the reasonable request of the Authority, of the System) made by an independent certified public accountant, within one hundred and eighty (180) days after the end of each Fiscal Year. The annual audit shall include a supplemental schedule demonstrating whether the Borrower during such Fiscal Year satisfied the rate covenant made by the Borrower in Section 5.1(a). The Borrower shall furnish to the Authority copies of such report immediately after it is accepted by the Borrower. Such report shall include statements in reasonable detail, certified by such accountant,

reflecting the Borrower's financial position as of the end of such Fiscal Year and the results of the Borrower's operations and changes in the financial position of its funds for the Fiscal Year.

Section 10.3. Certification as to No Default and Tax Compliance. The Borrower shall deliver to the Authority, within one hundred eighty (180) days after the close of each Fiscal Year, a certification in substantially the form attached as Exhibit I and signed by an Authorized Representative.

Section 10.4. Additional Indebtedness. The Borrower shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by or payable from a pledge of Revenues, except Subordinate Bonds or Parity Bonds.

Section 10.5. Parity Bonds. Provided the Borrower is not in default hereunder, the Borrower may issue bonds, notes or other evidences of indebtedness ("Parity Bonds") ranking on parity with the Local Bond with respect to the pledge of Revenues to (i) pay Project Costs to complete the Project, (ii) pay the cost of improvements, additions, extensions, replacements, equipment or betterments and of any property, rights or easements deemed by the Borrower to be necessary, useful or convenient for the System, (iii) refund some or all of the Local Bond, Parity Bonds, Existing Parity Bonds or Prior Bonds, or (iv) effect some combination of (i), (ii) and (iii); provided in each case the following conditions are satisfied. Except to the extent otherwise consented and agreed to by the Authority in writing, before any Parity Bonds are issued or delivered, the Borrower shall deliver to the Authority the following:

- (a) Certified copies of all resolutions and ordinances of the Borrower authorizing the issuance of the Parity Bonds.
- (b) A certificate of an appropriate official of the Borrower setting forth the purposes for which the Parity Bonds are to be issued and the manner in which the Borrower will apply the proceeds from the issuance and sale of the Parity Bonds.
- (c) If the Parity Bonds are authorized for any purpose other than the refunding of the Local Bond, Parity Bonds, Existing Parity Bonds or Prior Bonds, in form and substance satisfactory to the Authority, a certificate of the Consulting Engineer, or with respect to subsection (iv)(C) below, a certificate, including supporting documentation, of the Qualified Independent Consultant, to the effect that in the opinion of the Consulting Engineer or Qualified Independent Consultant, as applicable, (i) the improvements or property to which the proceeds from the issuance of the Parity Bonds are to be applied will be a part of the System, (ii) the funds available to the Borrower from the issuance of the Parity Bonds and other specified sources will be sufficient to pay the estimated cost of such improvements or property, (iii) the period of time which will be required to complete such improvements or acquire such property, and (iv) (A) the Parity Bond proceeds are necessary to complete the Project, (B) the failure to make such improvements or acquire or construct such property will result in an interruption or reduction of Revenues, or (C) during the first two complete Fiscal Years following completion of the improvements or the acquisition of the property financed with the proceeds of the Parity Bonds,

the projected Net Revenues Available for Debt Service will satisfy the rate covenant in Section 5.1(a). In providing this certificate, as applicable, the Qualified Independent Consultant may take into consideration future System rate increases, provided that such rate increases have been duly approved by the governing body of the Borrower and any other person and entity required to give approval for the rate increase to become effective. In addition, the Qualified Independent Consultant may take into consideration additional future revenues of the System to be derived under then existing contractual agreements entered into by the Borrower and from reasonable estimates of growth in the customer base of the Borrower.

(d) If the Parity Bonds are authorized solely to refund the Local Bond (with the consent of the Authority), Existing Parity Bonds, Parity Bonds or Prior Bonds, either (i) a certificate, including supporting documentation, of a Qualified Independent Consultant satisfactory to the Authority that the refunding Parity Bonds will have annual debt service requirements in each of the years the Local Bond, Existing Parity Bonds, Parity Bonds or Prior Bonds to be refunded would have been outstanding which are lower than the annual debt service requirements in each such year on the Local Bond, Existing Parity Bonds, Parity Bonds or the Prior Bonds to be refunded, or (ii) a certificate, including supporting documentation, of the Qualified Independent Consultant to the effect that during the first two complete Fiscal Years following the issuance of the refunding Parity Bonds, the projected Net Revenues Available for Debt Service will satisfy the rate covenant in Section 5.1(a). In providing the certificate described in clause (ii), the Qualified Independent Consultant may take into account the factors described in the last two sentences of subsection (c) of this Section.

(e) An Opinion of Counsel satisfactory to the Authority subject to customary exceptions and qualifications, approving the form of the resolution authorizing the issuance of the Parity Bonds and stating that its terms and provisions conform with the requirements of this Agreement and that the certificates and documents delivered to the Authority constitute compliance with the provisions of this Section.

Section 10.6. Further Assurances. The Borrower shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights, Revenues and other funds pledged or assigned by this Agreement, or as may be required to carry out the purposes of this Agreement. The Borrower shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledge of the Revenues and other funds pledged under this Agreement and all rights of the Authority, the Department and the Board under this Agreement against all claims and demands of all persons.

Section 10.7. Other Indebtedness. The Borrower agrees to pay when due all amounts required by any other bonded indebtedness and to perform all of its obligations in connection therewith.

Section 10.8. Assignment by Borrower. The Borrower may not assign its rights under this Agreement without the prior written consent of the Authority and the Department. If the

Borrower desires to assign its rights under this Agreement to another “local government” (as defined in the Act), the Borrower shall give notice of such fact to the Authority and the Department. If the Authority and the Department consent to the proposed assignment, the Borrower may proceed with the proposed assignment, but such assignment shall not become effective until the Authority and the Department are furnished (i) an assumption agreement in form and substance satisfactory to the Authority and the Department by which the assignee agrees to assume all of the Borrower’s obligations under the Local Bond and this Agreement, and (ii) an Opinion of Counsel to the assignee, subject to customary exceptions and qualifications, that the assumption agreement, the Local Bond and this Agreement constitute legal, valid and binding obligations of the assignee enforceable against the assignee in accordance with their terms and that the assignment and assumption comply in all respects with the provisions of this Agreement. Notwithstanding the foregoing, the assignment of the rights of the Borrower under the Local Bond and this Agreement or the assumption of the obligations thereunder by the assignee shall in no way be construed as releasing the Borrower’s obligations.

Section 10.9. Continuing Disclosure Obligations. (a) For purposes of this Section, the following terms and phrases shall have the following meanings:

“Annual Financial Information” with respect to any Fiscal Year for the Borrower, means the following:

- (i) the financial statements (consisting of at least a balance sheet and statement of revenues and expenses) of the System, or, if not available, the financial statements (consisting of at least a balance sheet and a statement of revenues and expenses) of the Borrower, which financial statements must be (A) prepared annually in accordance with generally accepted accounting principles in effect from time to time consistently applied (provided that nothing in this clause (A) will prohibit the Borrower after the date of this Agreement from changing such other principles so as to comply with generally accepted accounting principles as then in effect or to comply with a change in applicable law) and (B) audited by an independent certified public accountant or firm of such accountants in accordance with generally accepted auditing standards as in effect from time to time (provided that if audited financial statements are not available for filing when required by this Section or the Rule (as defined herein), unaudited financial statements will be filed and audited financial statements will be filed as soon as possible thereafter); and
- (ii) operating data of the type set forth in Exhibit G.

“Dissemination Agent” shall mean any person, reasonably acceptable to the Authority, whom the Borrower contracts in writing to perform its obligations as provided in subsection (b) of this Section.

“Leveraging Bonds” means the bonds and other evidences of indebtedness issued and sold by the Authority pursuant to the Virginia Resources Authority Act, Chapter 21, Title 62.1 of

the Code of Virginia (1950), as amended, the Act, and any successor provisions of law, including without limitation the bonds and other evidences of indebtedness issued by the Authority under the Second Amended and Restated Master Indenture of Trust dated as of September 1, 2020, between the Authority and U.S. Bank Trust Company, National Association, as trustee, as supplemented and amended.

“Local Government” shall have the meaning set forth in Section 62.1-199 of the Code of Virginia of 1950, as amended.

“Local Obligations” shall mean any bonds, notes, debentures, interim certificates, bond, grant or revenue anticipation notes, leases or any other evidences of indebtedness of a Local Government evidencing a loan made by the Authority to a Local Government from the Fund or the proceeds of Leveraging Bonds.

“Make Public” or “Made Public” shall have the meaning set forth in subsection (c) of this Section.

“Material Local Government” shall mean a Local Government that satisfies a set of objective criteria established by the Authority at the time of sale of each series of Leveraging Bonds and based on the level of participation of each Local Government in the aggregate outstanding principal amount of all Local Obligations. For all Leveraging Bonds currently outstanding as of the date of this Agreement, a Material Local Government is any Local Government whose aggregate outstanding principal amount of Local Obligations represents twenty percent (20%) or more of the aggregate outstanding principal amount of all Local Obligations.

“Rule” means Rule 15c2-12, as it may be amended from time to time, under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

“SEC” means the U.S. Securities and Exchange Commission.

(b) The Borrower shall Make Public or cause to be Made Public:

(1) Within 270 days after the end of the Borrower’s Fiscal Year (commencing with the Fiscal Year in which the Closing Date occurs), Annual Financial Information for such Fiscal Year as of the end of which the Borrower constitutes a Material Local Government. Annual Financial Information may be set forth in the documents Made Public or may be included by reference in a document Made Public to any document previously filed with the SEC. If the document referred to is a final official statement within the meaning of the Rule, then it must be available from the Municipal Securities Rulemaking Board (“MSRB”).

(2) In a timely manner, notice of any failure by the Borrower to Make Public or cause to be Made Public Annual Financial Information pursuant to the terms of part (1) of this subsection.

(c) For purposes of this Section, information and notices shall be deemed to have been Made Public if transmitted to the Authority and to the MSRB for publication on its Electronic Municipal Market Access system (“EMMA”). All documents provided to the MSRB shall be accompanied by identifying information prescribed by the Authority and the MSRB.

(d) The Borrower shall also notify the Authority within five (5) business days of becoming aware of any of the following events that may from time to time occur with respect to the Local Bond:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations with respect to the tax status of the Local Bond, or other events affecting the tax status of the Local Bond;
- (7) modifications to rights of the holders of the Local Bond;
- (8) bond calls and tender offers;
- (9) defeasances of all or any portion of the Local Bond;
- (10) release, substitution, or sale of property securing repayment of the Local Bond;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Borrower*;

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the

(13) the consummation of a merger, consolidation or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(14) appointment of a successor or additional trustee or the change in the name of a trustee;

(15) incurrence of a financial obligation^{**} of the Borrower, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Borrower, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Borrower, any of which reflect financial difficulties.

(e) Notwithstanding anything in this Agreement to the contrary, the Borrower need not comply with the provisions of subsections (a) through (d) above unless and until the Authority has notified the Borrower that it satisfied the objective criteria for a Material Local Government as of the end of the Authority's immediately preceding fiscal year.

(f) The obligations of the Borrower under this Section will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all of the Leveraging Bonds.

(g) The Borrower may modify its continuing disclosure obligations in this Section without the consent of holders of the Leveraging Bonds provided that this Section as so modified complies with the Rule as it exists at the time of modification. The Borrower shall within a reasonable time thereafter send to the Authority and the MSRB through EMMA a description of such modification(s).

(h) (1) If the Borrower fails to comply with any covenant or obligation set forth in this Section, any holder (within the meaning of the Rule) of Leveraging Bonds then Outstanding may, by notice to the Borrower, proceed to protect and enforce its rights

assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

^{**} The term "financial obligation" is defined to mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of (A) or (B). The term "financial obligation" does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB consistent with the Rule.

and the rights of the holders by an action for specific performance of the Borrower's covenants or obligations set forth in this Section.

(2) Notwithstanding anything herein to the contrary, any failure of the Borrower to comply with any obligation regarding Annual Financial Information specified in this Section (i) shall not be deemed to constitute an Event of Default under this Agreement and (ii) shall not give rise to any right or remedy other than that described in part (h)(1) of this Section.

(i) The Borrower may from time to time disclose certain information and data in addition to that required under this Section. Notwithstanding anything in this Agreement to the contrary, the Borrower shall not incur any obligation to continue to provide, or to update, such additional information or data.

(j) The Borrower may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation to Make Public the Annual Financial Information, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 10.10. Service Agreement. The Authority acknowledges that the Service Agreement Litigation is ongoing. The Borrower shall give prompt notice to the Authority of any renewal, extension, amendment, default or termination of the Service Agreement, including the resolution of the Service Agreement Litigation. The Borrower shall enforce the terms of such Service Agreement and use its best efforts to ensure that such Service Agreement (consistent with the resolution of the Service Agreement Litigation) remain in full force and effect during the term of this Agreement.

Section 10.11. Davis-Bacon Act. The Borrower agrees to comply with the Davis-Bacon Act and related acts, as amended, with respect to the Project and require that all laborers and mechanics employed by contractors and subcontractors for the Project shall be paid wages at rates not less than those prevailing on projects of a similar character, as determined by the United States Secretary of Labor in accordance with Section 513 of the Federal Water Pollution Control Act, as amended.

Section 10.12. American Iron and Steel. The Borrower agrees to comply with Section 608 of the Federal Water Pollution Control Act and related acts, as amended, with respect to the Project and require that all iron and steel products used for the Project are to be produced in the United States as required under such act. The term "iron and steel products" is defined to mean the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete and construction materials.

Section 10.13. Fiscal Sustainability Plan. The Borrower agrees to develop and implement a fiscal sustainability plan ("FSP") to the reasonable satisfaction of the Department that includes but is not limited to: (1) an inventory of critical assets that are part of the treatment works, (2) evaluation of the condition and performance of inventoried assets or asset groupings,

(3) certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan, and (4) a plan for maintaining, repairing, funding, and as necessary, replacing the treatment works. Except as may otherwise be approved by the Department, disbursements shall be held at eighty percent (80%) of the maximum authorized amount of the Local Bond until a draft FSP is submitted to the Department and at ninety-five percent (95%) of the maximum authorized amount of the Local Bond until a final FSP is submitted and approved by the Department.

Section 10.14. Tax Covenants. The Borrower shall not directly or indirectly use or permit the use of any of the proceeds of the Local Bond or any other of its funds, in such manner as would, or enter into, or allow any other person or entity to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would, cause interest on any of the Related Series of VRA Bonds to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum tax. The Borrower agrees to perform all duties imposed upon it by the Tax Compliance Agreement. Insofar as the Tax Compliance Agreement imposes duties and responsibilities on the Borrower, including the payment of any arbitrage rebate in respect of any Related Series of VRA Bonds, as of the Closing Date such duties and responsibilities are specifically incorporated by reference into this Agreement.

Section 10.15. Prohibition on Telecommunications Services or Equipment. The Borrower agrees to comply with all federal requirements imposed by 2 C.F.R. § 200.216, implementing P.L. 115-232, Section 889, as amended and supplemented and in effect from time to time, with respect to the Project. Such requirements include, among other things, that the Borrower is prohibited from obligating or expending the Local Bond Proceeds to procure or obtain; extend or renew a contract to procure or obtain; or enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that use certain covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system.

Section 10.16. Investing In America Signage. The Borrower agrees to display the requisite “Investing in America” signage at the location of the Project in a manner that informs the public that all or a portion of the Project was funded by the Bipartisan Infrastructure Law or the Inflation Reduction Act, as applicable. The signage must be placed at the Project construction sites in an easily visible location that can be directly linked to the Project and must be maintained in good condition throughout the construction period of the Project. The Borrower shall ensure compliance with the guidelines and design specifications published or otherwise provided by the EPA from time to time.

Section 10.17. Interfund Transfers. (a) The Borrower covenants and agrees that no transfers out of the water or sewer enterprise funds of the Borrower or increases in the amounts classified as due from other funds of the Borrower shall occur unless both the water and sewer enterprise funds, taking into account the proposed transfer or increase, demonstrate on an annual basis unrestricted fund balances in compliance with each of the Borrower’s fund balance policies

in effect as of the dated date of this Agreement. Such unrestricted fund balance calculations shall at all times include current or future (if not yet amortizing) annual debt service on the Local Bond, the Existing Parity Bonds and any Parity Bonds.

(b) In the event that the Borrower changes its fund balance policies in effect as of the dated date of this Agreement, the Borrower covenants and agrees that prior to any transfers out of the water or sewer enterprise funds of the Borrower or increases in the amounts classified as due from other funds of the Borrower shall occur, the water and sewer enterprise funds, taking into account the proposed transfer or increase, shall demonstrate on an annual basis unrestricted fund balances equal to at least forty-five (45) days of Operation and Maintenance Expense plus current or future (if not yet amortizing) annual debt service on the Local Bond, the Existing Parity Bonds and any Parity Bonds.

(c) The Borrower covenants and agrees that no transfers out of the water or sewer enterprise funds of the Borrower or increases in the amounts classified as due from other funds of the Borrower shall occur if such proposed transfer or increase would result in the Borrower failing to meet the rate covenant made by the Borrower in Section 5.1(a).

Section 10.18. Reporting Fraud; Whistleblower Protections. In the performance of this Agreement, the Borrower warrants that it will report to the applicable federal authorities, in a timely manner, any violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting this Agreement. The Borrower agrees to post in conspicuous places details on how to report such violations or otherwise establish a mechanism by which employees of the Borrower may report such violations. The Borrower further agrees to notify employees in writing of whistleblower rights and protections available under federal law.

ARTICLE XI **DEFAULTS AND REMEDIES**

Section 11.1. Events of Default. Each of the following events shall be an “Event of Default”:

(a) The failure to pay when due any payment of principal or Cost of Funds due hereunder or to make any other payment required to be made under the Local Bond or this Agreement;

(b) The Borrower’s failure to perform or observe any of the other covenants, agreements or conditions of the Local Bond or this Agreement and the continuation of such failure for a period of thirty (30) days after the Authority gives the Borrower written notice specifying such failure and requesting that it be cured, unless the Authority shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted

by the Borrower within the applicable period and diligently pursued until the Default is corrected;

(c) Any warranty, representation or other statement by or on behalf of the Borrower contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or in connection with the issuance and sale of the Local Bond is false or misleading in any material respect;

(d) The early termination of the Funding Agreement pursuant to Sections 5.3(b) and (c) thereof;

(e) The occurrence of a default by the Borrower under the terms of any Subordinate Bonds, Parity Bonds, Existing Parity Bonds or Prior Bonds and the failure to cure such default or obtain a waiver thereof within any period of time permitted thereunder;

(f) An order or decree shall be entered, with the Borrower's consent or acquiescence, appointing a receiver or receivers of the System or any part thereof or of the Revenues thereof, or if such order or decree, having been entered without the Borrower's consent or acquiescence, shall not be vacated, discharged or stayed on appeal within sixty (60) days after the entry thereof;

(g) Any proceeding shall be instituted, with the Borrower's consent or acquiescence, for the purpose of effecting a composition between the Borrower and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances secured by or payable from Revenues; or

(h) Any bankruptcy, insolvency or other similar proceeding shall be instituted by or against the Borrower under any federal or state bankruptcy or insolvency law now or hereinafter in effect and, if instituted against the Borrower, is not dismissed within sixty (60) days after filing.

Section 11.2. Notice of Default. The Borrower agrees to give the Authority prompt written notice if any order, decree or proceeding referred to in Section 11.1(f), (g) or (h) is entered or instituted against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default immediately upon becoming aware of the existence thereof.

Section 11.3. Remedies on Default. Whenever any Event of Default referred to in Section 11.1 shall have happened and be continuing, the Authority shall, in addition to any other remedies provided herein or by law, including rights specified in Section 62.1-228 of the Act, have the right, at its option without any further demand or notice, to take one or both of the following remedial steps:

(a) Declare immediately due and payable all payments due or to become due on the Local Bond and under this Agreement, and upon notice to the Borrower, the same shall become immediately due and payable by the Borrower without further notice or demand; and

(b) Take whatever other action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due on the Local Bond and under this Agreement or to enforce any other of the Fund's, the Authority's, the Department's or the Board's rights under this Agreement or to enforce performance by the Borrower of its covenants, agreements or undertakings contained herein or in the Local Bond, which the Borrower hereby agrees are assigned to the Authority upon the occurrence of an Event of Default.

Section 11.4. Delay and Waiver. No delay or omission to exercise any right or power accruing upon any Default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Default or Event of Default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. No waiver of any Default or Event of Default under this Agreement shall extend to or shall affect any subsequent Default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 11.5. State Aid Intercept. The Borrower acknowledges that the Authority may take any and all actions available to it under the laws of the Commonwealth of Virginia, including Section 62.1-216.1 of the Code of Virginia of 1950, as amended, to secure payment of the principal of and Cost of Funds on the Local Bond, if payment of such principal and Cost of Funds shall not be paid when the same shall become due and payable.

ARTICLE XII **MISCELLANEOUS**

Section 12.1. Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 12.2. Amendments. The Authority and the Borrower, with the written consent of the Department, shall have the right to amend from time to time any of the terms and conditions of this Agreement, provided that all amendments shall be in writing and shall be signed by or on behalf of the Authority and the Borrower; provided, however, that the written consent of the Department shall not be required for the Authority and the Borrower to amend Articles I, V, IX and XI or Sections 10.4, 10.5, 10.9 and 10.14 of this Agreement.

Section 12.3. Limitation of Borrower's Liability. Notwithstanding anything in the Local Bond or this Agreement to the contrary, the Borrower's obligations are not its general obligations, but are limited obligations payable solely from the Revenues which are specifically pledged for such purpose. Neither the Local Bond nor this Agreement shall be deemed to create or constitute a general obligation debt or a pledge of the faith and credit of the Borrower, and the

Borrower shall not be obligated to pay the principal of or Cost of Funds on the Local Bond or other costs incident thereto except from the Revenues and other funds pledged therefor. In the absence of fraud, no present or future director, official, officer, employee or agent of the Borrower shall be liable personally in respect of this Agreement or the Local Bond or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bond.

Section 12.4. Applicable Law. This Agreement shall be governed by the applicable laws of the Commonwealth of Virginia.

Section 12.5. Severability. If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or Section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority and the Borrower, as the case may be, only to the extent permitted by law.

Section 12.6. Notices. Unless otherwise provided for herein, all demands, notices, approvals, consents, requests, opinions and other communications under the Local Bond or this Agreement shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class registered or certified mail, postage prepaid, addressed as follows:

Fund:	Virginia Water Facilities Revolving Fund c/o Virginia Resources Authority 1111 East Main Street, Suite 1920 Richmond, VA 23219 Attention: Executive Director
Authority:	Virginia Resources Authority 1111 East Main Street, Suite 1920 Richmond, VA 23219 Attention: Executive Director
Department and Board:	State Water Control Board Department of Environmental Quality P. O. Box 1105 Richmond, VA 23218 Attention: Executive Director
Borrower:	City of Martinsville, Virginia P.O. Box 1112 Martinsville, VA 24114 Attention: City Manager

A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other

parties named. The Authority, the Department, the Board and the Borrower may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

Section 12.7. Right to Cure Default. If the Borrower shall fail to make any payment or to perform any act required by it under the Local Bond or this Agreement, the Authority without prior notice to or demand upon the Borrower and without waiving or releasing any obligation or default, may (but shall be under no obligation to) make such payment or perform such act. All amounts so paid by the Authority and all costs, fees and expenses so incurred shall be payable by the Borrower as an additional obligation under this Agreement, together with interest thereon at the rate of interest of five percent (5.0%) per annum until paid. The Borrower's obligation under this Section shall survive the payment of the Local Bond.

Section 12.8. Headings. The headings of the several articles and sections of this Agreement are inserted for convenience only and do not comprise a part of this Agreement.

Section 12.9. Term of Agreement. This Agreement shall be effective upon its execution and delivery, provided that the Local Bond shall have been previously or simultaneously executed and delivered. Except as otherwise specified, the Borrower's obligations under the Local Bond and this Agreement shall expire upon payment in full of the Local Bond and all other amounts payable by the Borrower under this Agreement.

Section 12.10. Commitment Letter. The Commitment Letter is an integral part of this Agreement and shall survive closing hereunder.

Section 12.11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

[Signature Page Follows]

WITNESS the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY, as
Administrator of the Virginia Water Facilities
Revolving Fund**

By: _____
Shawn B. Crumlish, Executive Director

CITY OF MARTINSVILLE, VIRGINIA

By: _____

Its: _____

EXHIBIT A

**FORM OF LOCAL BOND
CITY OF MARTINSVILLE, VIRGINIA
C-515787**

[To Come from Borrower's Bond Counsel]

EXHIBIT B

**PROJECT DESCRIPTION
CITY OF MARTINSVILLE, VIRGINIA
C-515787**

The Project includes financing the Doe Run, Smith Lake Road and Martinsville Industrial Park Sewer Project, together with related expenses.

EXHIBIT C

PROJECT BUDGET
CITY OF MARTINSVILLE, VIRGINIA
C-515787

[To Come]

EXHIBIT D

OPINION OF BORROWER'S BOND COUNSEL
CITY OF MARTINSVILLE, VIRGINIA
C-515787

[To Come from Borrower's Bond Counsel]

EXHIBIT E

FORM OF REQUISITION CITY OF MARTINSVILLE, VIRGINIA C-515787

[LETTERHEAD OF BORROWER]

[Date]

Karen M. Doran, Program Manager
Construction Assistance Program
Department of Environmental Quality
P. O. Box 1105
Richmond, Virginia 23218

Re: City of Martinsville, Virginia
Funding No. C-515787

Dear Ms. Doran:

This requisition, Number _____, is submitted in connection with the Financing Agreement and Funding Agreement, each dated as of _____, 2025 (the "Agreements"), between the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund (the "Authority"), and City of Martinsville, Virginia (the "Borrower"). Unless otherwise defined in this requisition, all capitalized terms used herein shall have the meaning set forth in Article I of the Agreements. The undersigned Authorized Representative of the Borrower hereby requests disbursement of loan proceeds under the Agreements in the amount of \$ _____, for the purposes of payment or reimbursement of the Project Costs as set forth in Schedule 1 attached hereto.

Attached hereto are invoices relating to the items for which payment is requested.

The undersigned certifies that (a) the amounts requested by the requisition will be applied solely and exclusively to the payment, or to the reimbursement of the Borrower for the payment, of Project Costs, and (b) any materials, supplies or equipment covered by this requisition are not subject to any lien or security interest or such lien or security interest will be released upon payment

of the requisition. In addition, to the extent applicable, the undersigned certifies that the Borrower has conducted adequate oversight for compliance with the Davis-Bacon Act and related acts through (a) the review of payrolls and associated certifications, and (b) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products included in this request satisfy the appropriate provisions of the American Iron and Steel requirements included in the Agreements.

The undersigned further certifies that (a) no Event of Default or Default has occurred and is continuing, and no condition exists which, with the passing of time or with the giving of notice or both, would constitute an Event of Default hereunder, and (b) the representations and warranties of the Borrower contained in the Agreements are true, correct and complete and the Borrower has performed all of its obligations thereunder required to be performed as of the date hereof.

This requisition includes an accompanying Certificate of the Consulting Engineer as to the performance of the work.

By signing this requisition, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Agreements. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

Very truly yours,

By: _____

Its: _____

Attachments

cc: DEQ Regional Engineer (with all attachments)

**CERTIFICATE OF THE CONSULTING ENGINEER
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT**

This Certificate is being executed and delivered in connection with Requisition Number ___, dated _____, 20___, submitted by City of Martinsville, Virginia (the “Borrower”), pursuant to the Financing Agreement and the Funding Agreement, each dated as of _____, 2025 (the “Agreements”), between the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund (the “Authority”), and the Borrower. Capitalized terms used herein shall have the same meanings set forth in Article I of the Agreements.

The undersigned Consulting Engineer for the Borrower hereby certifies to the Authority that, insofar as the amounts covered by this Requisition include payments for labor or to contractors, builders or materialmen, such work was actually performed or such materials, supplies or equipment were actually furnished to or installed in the construction portion of the Project.

[Consulting Engineer]

By: _____

Date: _____

SCHEDULE 1
VIRGINIA WATER FACILITIES REVOLVING FUND
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

BORROWER: CITY OF MARTINSVILLE, VIRGINIA

LOAN NUMBER: C-515787

CERTIFYING SIGNATURE:

TITLE: _____

Total Loan Amount \$

Previous Disbursements \$

This Request \$

EXHIBIT F

**PRIOR BONDS AND EXISTING PARITY BONDS
CITY OF MARTINSVILLE, VIRGINIA
C-515787**

Prior Bonds:

None

Existing Parity Bonds:

\$10,000,000 Water and Sewer Revenue Bond, Series 2016

\$7,900,000 Water and Sewer Revenue Bond, Series 2017

\$2,500,000 Water and Sewer Revenue Bond, Series 2020, as amended by an Allonge dated June 29, 2021

Subordinate Bonds:

None

EXHIBIT G

OPERATING DATA CITY OF MARTINSVILLE, VIRGINIA C-515787

Description of Borrower. A description of the Borrower including a summary description of the System, and its management and officers.

Debt. A description of the terms of the Borrower's outstanding debt including a historical summary of outstanding debt and a summary of annual debt service on outstanding debt as of the end of the preceding Fiscal Year. The Annual Financial Information should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Borrower and any unfunded pension liabilities.

Financial Information and Operating Data. Financial information for the System as of the end of the preceding Fiscal Year, including a description of revenues and expenditures, largest users, a summary of rates, fees and other charges of the System, and a historical summary of debt service coverage.

EXHIBIT H

FORM OF BUDGET CITY OF MARTINSVILLE, VIRGINIA C-515787

(To Be on Borrower's Letterhead)

[Date]

Executive Director
Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, VA 23219

Dear Mr./Ms. _____:

Pursuant to the Financing Agreement[s] between Virginia Resources Authority and the City of Martinsville, Virginia, a copy of the fiscal year [20xx] annual budget is enclosed. Such annual budget provides for the satisfaction of the rate covenant as demonstrated below.

Revenues	Operation & Maintenance Expense	Net Revenues Available for Debt Service (Revenues – O&M Expense)	Debt Service	Coverage (Net Revenues Available for Debt Service/Debt Service)

All capitalized terms used herein shall have the meaning set forth in the Financing Agreement[s].

Very truly yours,

By: _____

Its: _____

EXHIBIT I

FORM OF CERTIFICATION AS TO NO DEFAULT AND TAX COMPLIANCE CITY OF MARTINSVILLE, VIRGINIA C-515787

(To Be on Borrower's Letterhead)

[Date]

Compliance & Financial Analyst
Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, VA 23219

Dear Mr./Ms. _____:

In accordance with Section 10.3 of the Financing Agreement dated as of _____, 2025 (the "Financing Agreement") between Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund, and the City of Martinsville, Virginia (the "Borrower"), I hereby certify that, during the fiscal year that ended _____ 30, _____, and through the date of this letter:

1. [No event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or lapse of time, or both, would constitute, an Event of Default as defined in Section 11.1 of the Financing Agreement.] [If an Event of Default has occurred, please specify the nature and period of such Event of Default and what action the Borrower has taken, is taking or proposes to take to rectify it].
2. [The ownership and status of all or a portion of the Related Financed Property has not changed since the Closing Date.] [If untrue, please describe.]
3. [Neither the Related Financed Property nor any portion thereof is being used by a Nongovernmental Person pursuant to a lease, an incentive payment contract or a take-or-pay or other output-type contract.] [If untrue, please describe.]
4. [Neither the Related Financed Property nor any portion or function thereof is being used pursuant to or is otherwise subject to a Service Contract that does not satisfy the requirements of Revenue Procedure 2017-13.] [If untrue, please describe.]
5. [Other than as may be described in paragraphs 2, 3 and 4 above, neither the Related Financed Property nor any portion or function thereof nor any portion of the Proceeds is being used for a Private Business Use.] [If untrue, please describe.]

6. [The Borrower has not used or permitted the use of any Proceeds of the Local Bond directly or indirectly to make a loan to an ultimate borrower other than itself within the meaning of Section 4.3 of the Tax Compliance Agreement.] [If untrue, please describe.]
7. [Other than any amounts described in the Tax Compliance Agreement (as defined in the Financing Agreement), between the Authority and the Borrower and amounts that may constitute or be on deposit in a Bona Fide Debt Service Fund, there neither have been nor are now any moneys, securities, obligations, annuity contracts, residential rental property, AMT Bonds, investment-type property, Sinking Funds, Pledged Funds, or other Replacement Proceeds accumulated or held or pledged as security by the Borrower or any other Substantial Beneficiary of the Local Bond as security for or the direct or indirect source of the payment of the principal of or interest on the Local Bond.] [If untrue, please describe.]
8. [The Borrower is in compliance with the recordkeeping requirements of Section 4.8 of the Tax Compliance Agreement.] [If untrue, please describe.]
9. [Other than as may be described above, the Borrower is not in default of any of its obligations under the Tax Compliance Agreement.] [If untrue, please describe.]
10. Unless otherwise defined herein, each capitalized term used herein has the meaning set forth in the Tax Compliance Agreement.

Sincerely,

[Insert Name]
Authorized Representative

FUNDING AGREEMENT

dated as of January __, 2025

BETWEEN

VIRGINIA RESOURCES AUTHORITY,

**as Administrator of the
Virginia Water Facilities Revolving Fund**

AND

CITY OF MARTINSVILLE, VIRGINIA

**Virginia Resources Authority
Virginia Water Facilities Revolving Fund**

Funding No. C-515787

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EXHIBITS

- Exhibit A. Project Description
- Exhibit B. Project Budget
- Exhibit C. Form of Requisition

FUNDING AGREEMENT

THIS FUNDING AGREEMENT is made as of this _____ day of January, 2025, between the **VIRGINIA RESOURCES AUTHORITY**, as administrator of the Virginia Water Facilities Revolving Fund, a public body corporate and a political subdivision of the Commonwealth of Virginia (the “Authority”), and **CITY OF MARTINSVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the “Locality”).

Pursuant to Chapter 22, Title 62.1, Code of Virginia of 1950, as amended (the “Act”), the General Assembly created a fund known as the “Virginia Water Facilities Revolving Fund” (the “Fund”). In conjunction with the State Water Control Board (the “Board”), the Authority administers and manages the Fund. Following consultation with the Authority, the Board from time to time directs the distribution of monies to local governments in Virginia to finance the “costs” of “projects” within the meaning of Section 62.1-224 of the Act.

The Locality has requested funding from the Fund and has been approved by the Board to receive monies from the Fund. The Locality will use the monies from the Fund to provide funds for that portion of the Project Costs not being paid from other sources as set forth in the Project Budget.

ARTICLE I **DEFINITIONS**

The capitalized terms contained in this Agreement shall have the meanings set forth below unless the context requires otherwise, and any capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Act:

“Act” means Chapter 22, Title 62.1 of the Code of Virginia of 1950, as amended.

“Agreement” means this Funding Agreement between the Authority, as Administrator of the Fund, and the Locality, together with any amendments or supplements hereto.

“Authority” means the Virginia Resources Authority, as Administrator of the Fund, a public body corporate and a political subdivision of the Commonwealth of Virginia.

“Authorized Representative” means any member, official or employee of the Locality authorized by resolution, ordinance or other official act of the governing body of the Locality to perform the act or sign the document in question.

“Consulting Engineer” means the engineer or the firm of independent consulting engineers of recognized standing and experienced in the field of sanitary engineering and registered to do business in the Commonwealth of Virginia which is designated by the Locality from time to time as the Locality’s consulting engineer for the Project in a written notice to the Authority. Such individual or firm shall be subject to the reasonable approval of the Authority. Unless and until the Authority notifies the Locality otherwise, any of the Locality’s employees

that are licensed and registered as professional engineers in the Commonwealth of Virginia may serve as Consulting Engineer under this Agreement.

“Department” means the Department of Environmental Quality, created and acting under Chapter 11.1, Title 10.1, of the Code of Virginia of 1950, as amended.

“Fund” means the Virginia Water Facilities Revolving Fund.

“Project” means the particular project described in **Exhibit A** to be constructed, acquired or improved by the Locality with, among other monies, the funds, with such changes thereto as may be approved in writing by the Board and the Authority.

“Project Budget” means the budget for the Project, a copy of which is attached to this Agreement as **Exhibit B**, with such changes therein as may be approved in writing by the Board and the Authority.

“Project Costs” means the costs described in the Project Budget and such other costs permitted by the Act as may be approved in writing by the Board.

“Project Description” means the description of the Project to be undertaken using the funding made available under this Agreement, a copy of which is attached to this Agreement as **Exhibit A**, with such changes therein as may be approved in writing by the Board and the Authority.

“Transaction” means the funding of some or all of the Locality’s Project, as described in **Exhibit A**, as provided in this Agreement.

ARTICLE II **SCOPE OF SERVICES**

The Locality shall provide the services and work as set forth in the Project Description (**Exhibit A**) of this Agreement. All work shall be performed according to sound construction, engineering and architectural principles and commonly accepted safety standards.

ARTICLE III **TIME OF PERFORMANCE**

The Locality’s work on the Project commenced on or before the date hereof and will be completed on or before _____, 20__.

ARTICLE IV **FUNDING; NATURE OF TRANSACTION**

The Locality shall be reimbursed for the payment of Project Costs, in an amount not to exceed \$ _____ for the purposes set forth in the Project Description and Project Budget. Disbursement of funds will be in accordance with the payment provisions set forth in Section 4.1 and the Project Budget.

The Board has authorized the Transaction as a “principal forgiveness loan.” Notwithstanding anything to the contrary in this Funding Agreement, the Transaction shall not constitute a debt of the Locality, and the Locality is not required or obligated to repay the amount of the Transaction, except as provided in Section 4.3 in the case of Locality’s failure to comply with the terms and conditions of this Funding Agreement, where the Locality may be required to return all or a portion of the amount funded hereunder.

Section 4.1. Application of Funding. The Locality agrees to apply the funds solely and exclusively to the payment, or the reimbursement of the Locality for the payment of Project Costs. After approval by the Department, the Authority shall disburse funds from the Fund to the Locality not more frequently than once each calendar month (unless otherwise agreed by the Authority, the Department and the Locality) upon receipt by the Authority of the following:

(a) A requisition approved by the Department (upon which the Authority shall rely), signed by the Authorized Representative and containing all receipts, vouchers, statements, invoices, reporting forms or other evidence of the actual payment of Project Costs or that Project Costs have been incurred, and all other information called for by, and otherwise being in the form of, **Exhibit C** to this Agreement; and

(b) If any requisition includes an item for payment for labor or to contractors, builders or materialmen, a certificate, signed by the Consulting Engineer, stating that such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction of the Project.

Upon receipt of each such requisition and accompanying certificate(s), document(s) and schedule(s), the Authority shall disburse the funds hereunder to the Locality in accordance with such requisition to the extent approved by the Department. The Department shall have no obligation to approve any requisition, and the Authority shall have no obligation to disburse any such funds, if the Locality is not in compliance with any of the terms of this Agreement.

Except as may otherwise be approved by the Department, disbursements shall be held at ninety-five percent (95%) of the total funding amount to ensure satisfactory completion of the Project. Disbursements of Local Bond Proceeds shall also be held if the Locality does not timely provide a draft FSP and final FSP to the Department as set forth in Section 5.13(d) herein. Upon receipt from the Locality of the certificate specified in Section 4.2 and a final requisition detailing all retainages to which the Locality is then entitled, the Authority, to the extent approved by the Department and, subject to the provisions of this section and Section 4.2, will disburse to the Locality the remaining funds.

Section 4.2. Agreement to Accomplish Project. The Locality agrees to cause the Project to be acquired, constructed, expanded, renovated or equipped as described in **Exhibit A** and in accordance with plans and specifications prepared by the Consulting Engineer and approved by the Department.

When the Project has been completed, the Locality shall promptly deliver to the Authority and the Department a certificate signed by an Authorized Representative of the Locality and by the Consulting Engineer stating (i) that the Project has been completed substantially in accordance with the approved plans and specifications and addenda thereto, and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion, (iii) that all required certificates of occupancy and permits for operation of the Project have been issued or obtained, and (iv) the amount, if any, to be reserved for payment of the final Project Costs.

Section 4.3. Repayment of Transaction Amount. In the event of a material failure by the Locality to comply with the terms of this Agreement, the Locality may be obligated, upon an adverse determination by the Department, to repay all or a portion of any funding received pursuant to this Agreement.

ARTICLE V **GENERAL PROVISIONS**

Section 5.1. Liability Insurance. The Locality shall maintain or cause to be maintained insurance and self-insurance plans during the life of this Agreement as shall protect it from claims for damages for personal injury, including death, as well as from claims for property damage, which may arise from the Locality's activities under this Agreement.

To the extent permitted by law, the Locality shall indemnify and hold harmless the Authority, the Board, the Department, the Fund, and when applicable, its employees and designated representatives, from any and all claims, suits, actions, liabilities and costs of any kind, caused by or arising out of the performance by the Locality of its obligations pursuant to this Agreement. Nothing contained herein shall be deemed an express or implied waiver of the sovereign immunity of the Commonwealth or any entity thereof.

Section 5.2. Disclaimer. Nothing in this Agreement shall be construed as authority for either party to make commitments that will bind the other party beyond the covenants contained herein.

Section 5.3. Termination. (a) The Board, the Department or the Authority, on behalf of the Fund, may terminate this Agreement for any reason upon 30 days' written notice to the Locality. The Locality shall be paid for no service rendered or expense incurred after receipt of such notice except such fees and expenses incurred prior to the effective date of termination that are necessary for curtailment of its work under this Agreement.

(b) If any written or oral representation, warranty or other statement furnished or made by or on behalf of the Locality to the Board, the Department or the Authority in connection with this Agreement or the Locality's application for funding from the Fund is false or misleading in any material respect, the Authority shall have the right immediately to terminate this Agreement.

(c) In the event of a breach by the Locality of this Agreement, the Authority shall have the right immediately to terminate this Agreement. In the alternative, the Authority, the Board, or the Department may give written notice to the Locality specifying the manner in which this Agreement has been breached and providing the Locality 30 days within which to cure the breach. If such notice of breach is given and the Locality has not substantially corrected the breach within 30 days of receipt of the written notice, the Authority shall have the right to terminate this Agreement.

(d) In the event of a termination of this Agreement in accordance with paragraphs (b) or (c) of this Section 5.3, all documents and other materials related to the performance of this Agreement shall, at the option of the Authority, the Board, or the Department, become the property of the Authority, as Administrator of the Fund, and the Locality shall repay to the Authority, as Administrator of the Fund, all funding proceeds disbursed hereunder.

Section 5.4. Integration and Modification. This Agreement constitutes the entire Agreement between the Locality and the Authority with respect to the funding. No alteration, amendment or modification in the provisions of this Agreement shall be effective unless reduced to writing, signed by both the parties and attached hereto.

Section 5.5. Collateral Agreements. Where there exists any inconsistency between this Agreement and other provisions of collateral contractual agreements which are made a part of this Agreement by reference or otherwise, the provisions of this Agreement shall control.

Section 5.6. Non-Discrimination; Reporting Fraud; Whistleblower Protections. (a) In the performance of this Agreement, the Locality warrants that it will not discriminate against any employee, or other person, on account of race, color, sex, religious creed, ancestry, age, national origin, other non-job related factors or any basis prohibited by law. The Locality agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

The Locality shall, in all solicitations or advertisements for employees placed by or on behalf of the Locality, state that such Locality is an equal opportunity employer; however notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting the requirements of this Agreement.

The Locality shall include the provisions of the foregoing paragraphs of this section in every contract, subcontract or purchase order of over ten thousand dollars (\$10,000), so that such provisions will be binding upon each contractor, subcontractor or vendor.

(b) In the performance of this Agreement, the Locality warrants that it will report to the applicable federal authorities, in a timely manner, any violations of federal criminal law involving fraud, bribery, or gratuity violations potentially affecting this Agreement. The Locality agrees to post in conspicuous places details on how to report such violations or otherwise establish a mechanism by which employees of the Locality may report such violations. The Locality further agrees to notify employees in writing of whistleblower rights and protections available under federal law.

Section 5.7. Applicable Laws. This Agreement shall be governed by the applicable laws of the Commonwealth of Virginia.

Section 5.8. Severability. Each paragraph and provision of this Agreement is severable from the entire Agreement; and if any provision is declared invalid, the remaining provisions shall nevertheless remain in effect, at the option of the Authority.

Section 5.9. Contingent Fee Warranty. The Locality warrants that it has not paid or agreed to pay any company or person any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon the award or making of this Agreement. For breach of the foregoing warranty, the Authority shall have the right to terminate this Agreement without liability, or, in its discretion, to deduct from the agreed fee, payment or consideration, or otherwise recover the full amount of such prohibited fee, commission, percentage, brokerage fee, gift, or contingent fee.

Section 5.10. Conflict of Interest. The Locality warrants that it has fully complied with the Virginia Conflict of Interest Act, Va. Code §§ 2.2-3100 *et seq.*, as amended.

Section 5.11. Records Availability. The Locality agrees to maintain complete and accurate books and records of the Project Costs, and further, to retain all books, records, and other documents relative to this Agreement for five (5) years after final disbursement of funding proceeds, or until completion of an audit commenced by the Commonwealth of Virginia within the five (5) years after final disbursement of funding of proceeds. The Authority, the Board, the Department, the Fund, its authorized agents, and/or State auditors shall have full access to and the right to examine any of said materials during said period. Additionally, the Authority, the Fund, the Board, the Department and/or its representatives shall have the right to access worksites for the purpose of ensuring that the provisions of this Agreement are properly carried out and enforced.

Section 5.12. Ownership of Documents. Any reports, studies, photographs, negatives, or other documents prepared by the Locality in the performance of its obligations under this Agreement, at the option of the Authority, the Board, or the Department, shall be remitted to the Fund by the Locality upon completion, termination or cancellation of this Agreement. The Locality shall not use, willingly allow or cause to have such materials used for any purpose other than performance of the Locality's obligations under this Agreement without the prior written consent of the Authority.

Section 5.13. Governmental Requirements. (a) The Locality agrees to comply with all applicable governmental requirements pertaining to the Project and the use and application of funds provided hereunder, including but not limited to, the Virginia Sewage Collection and Treatment Regulations, 9 VAC 25-790 *et seq.*, as amended, and the requirements and provisions identified in the Virginia Public Procurement Act, Va. Code §§ 2.2-4300 *et seq.*, as amended, when procuring professional or construction services for work identified in this Agreement.

(b) The Locality agrees to comply with the Davis-Bacon Act and related acts, as amended, with respect to the Project and require that all laborers and mechanics employed by contractors and subcontractors for the Project shall be paid wages at rates not less than those prevailing on projects of a similar character in the Locality, as determined by the United States Secretary of Labor in accordance with Section 513 of the Federal Water Pollution Control Act, as amended.

(c) The Locality agrees to comply with Section 608 of the Federal Water Pollution Control Act and related acts, as amended, with respect to the Project and require that all iron and steel products used for the Project are to be produced in the United States as required under such act. The term “iron and steel products” is defined to mean the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete and construction materials.

(d) The Locality agrees to develop and implement a fiscal sustainability plan (“FSP”) to the reasonable satisfaction of the Department that includes but is not limited to: (1) an inventory of critical assets that are part of the treatment works, (2) evaluation of the condition and performance of inventoried assets or asset groupings, (3) certification that the recipient has evaluated and will be implementing water and energy conservation efforts as part of the plan, and (4) a plan for maintaining, repairing, funding, and as necessary, replacing the treatment works. Except as may otherwise be approved by the Department, disbursements shall be held at eighty percent (80%) of the maximum authorized amount of the funding hereunder until a draft FSP is submitted to the Department and at ninety-five percent (95%) of the maximum authorized amount of the funding hereunder until a final FSP is submitted and approved by the Department.

(e) The Locality agrees to comply with all federal requirements imposed by 2 C.F.R. § 200.216, implementing P.L. 115-232, Section 889, as amended and supplemented and in effect from time to time, with respect to the Project. Such requirements include, among other things, that the Locality is prohibited from obligating or expending the Local Bond Proceeds to procure or obtain; extend or renew a contract to procure or obtain; or enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that use certain covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system.

(f) The Locality agrees to display the requisite “Investing in America” signage at the location of the Project in a manner that informs the public that all or a portion of the Project was funded by the Bipartisan Infrastructure Law or the Inflation Reduction Act, as applicable. The

signage must be placed at the Project construction sites in an easily visible location that can be directly linked to the Project and must be maintained in good condition throughout the construction period of the Project. The Locality shall ensure compliance with the guidelines and design specifications published or otherwise provided by the EPA from time to time.

Section 5.14. Notices. Unless otherwise provided for herein, all notices, approvals, consents, correspondence and other communications under this Agreement shall be in writing and shall be deemed delivered to the following:

Fund: Virginia Resources Authority
As Administrator of the Virginia
Water Facilities Revolving Fund
1111 East Main Street, Suite 1920
Richmond, Virginia 23219
Attention: Executive Director

Authority: Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, Virginia 23219
Attention: Executive Director

Department
and Board: Virginia Department of Environmental Quality
State Water Control Board
Construction Assistance Program
P.O. Box 1105
Richmond, Virginia 23218
Attention: Executive Director

Locality: City of Martinsville, Virginia
P.O. Box 1112
Martinsville, VA 24114
Attention: City Manager

A duplicate copy of each notice, approval, consent, correspondence or other communications shall be given to each of the other parties named.

ARTICLE VI **COUNTERPARTS**

This Agreement may be executed in any number of Counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

[Remainder of this page intentionally left blank]

WITNESS the following signatures, all duly authorized.

**VIRGINIA RESOURCES AUTHORITY, as
Administrator of the Virginia Water Facilities
Revolving Fund**

By: _____
Shawn B. Crumlish, Executive Director

CITY OF MARTINSVILLE, VIRGINIA

By: _____
Its: _____

Exhibit A

PROJECT DESCRIPTION
CITY OF MARTINSVILLE, VIRGINIA
C-515787

The Project includes financing the Doe Run, Smith Lake Road and Martinsville Industrial Park Sewer Project, together with related expenses.

Exhibit B

PROJECT BUDGET
CITY OF MARTINSVILLE, VIRGINIA
C-515787

[To Come]

Exhibit C

FORM OF REQUISITION CITY OF MARTINSVILLE, VIRGINIA C-515787

[LETTERHEAD OF LOCALITY]

[Date]

Karen M. Doran, Program Manager
Construction Assistance Program
Department of Environmental Quality
P. O. Box 1105
Richmond, Virginia 23218

Re: City of Martinsville, Virginia
Funding No. C-515787

Dear Ms. Doran:

This requisition, Number _____, is submitted in connection with the Financing Agreement and Funding Agreement, each dated as of _____, 2025 (the “Agreements”), between the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund (the “Authority”), and City of Martinsville, Virginia (the “Borrower”). Unless otherwise defined in this requisition, all capitalized terms used herein shall have the meaning set forth in Article I of the Agreements. The undersigned Authorized Representative of the Borrower hereby requests disbursement of loan proceeds under the Agreements in the amount of \$ _____, for the purposes of payment or reimbursement of the Project Costs as set forth in Schedule 1 attached hereto.

Attached hereto are invoices relating to the items for which payment is requested.

To the extent the Borrower will not apply the amounts requested by this Requisition to reimburse itself for the payment of Project Costs already paid, the Borrower will spend such amounts on Project Costs within five banking days following the Borrower’s receipt of such amounts. In addition, the undersigned certifies that the Borrower has conducted adequate oversight for compliance with the Davis-Bacon Act and related acts through (a) the review of payrolls and associated certifications, and (b) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products

included in this request satisfy the appropriate provisions of the American Iron and Steel requirements included in the Agreements.

The undersigned further certifies that (a) no Event of Default or Default has occurred and is continuing, and no condition exists which, with the passing of time or with the giving of notice or both, would constitute an Event of Default hereunder, and (b) the representations and warranties of the Borrower contained in the Agreements are true, correct and complete and the Borrower has performed all of its obligations thereunder required to be performed as of the date hereof.

This requisition includes an accompanying Certificate of the Consulting Engineer as to the performance of the work.

By signing this requisition, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the Agreements. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

Very truly yours,

By: _____

Its: _____

Attachments

cc: DEQ Regional Engineer (with all attachments)

**CERTIFICATE OF THE CONSULTING ENGINEER
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT**

This Certificate is being executed and delivered in connection with Requisition Number _____, dated _____, 20____, submitted by City of Martinsville, Virginia (the “Borrower”), pursuant to the Financing Agreement and the Funding Agreement, each dated as of _____, 2025 (the “Agreements”), between the Virginia Resources Authority, as Administrator of the Virginia Water Facilities Revolving Fund (the “Authority”), and the Borrower. Capitalized terms used herein shall have the same meanings set forth in Article I of the Agreements.

The undersigned Consulting Engineer for the Borrower hereby certifies to the Authority that, insofar as the amounts covered by this Requisition include payments for labor or to contractors, builders or materialmen, such work was actually performed or such materials, supplies or equipment were actually furnished to or installed in the construction portion of the Project.

[Consulting Engineer]

By: _____

Date: _____

SCHEDULE 1
VIRGINIA WATER FACILITIES REVOLVING FUND
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT – FUNDING PROCEEDS

LOCALITY: CITY OF MARTINSVILLE, VIRGINIA

FUNDING NUMBER: C-515787

CERTIFYING SIGNATURE:

TITLE: _____

Total Funding Amount \$ _____
Previous Disbursements \$ _____
This Request \$ _____
Funding Proceeds Remaining \$ _____



MEETINGS: December 17, 2024

TITLE: Uptown Traffic Calming Plan

STAFF RESPONSIBLE Greg Maggard, Managing Director of Public Works

BACKGROUND/HISTORY

The 2023 Uptown Survey identified the need to control speeding in the Uptown District. Previous attempts to address this issue have failed. Raised crosswalks were recommended in the 2023 study but were not utilized in the previous attempt.

POLICY EXPLANATION

The installation of raised pedestrian crosswalks at mid-block crossings has been proven to provide increased visibility and safety for pedestrians. Additionally, the elevated crosswalks provide a “speed bump” effect in these areas, naturally slowing traffic. The intersection of Church Street and Broad Street has been identified as a critical point for speed control and will be an “all-stop” intersection.

FISCAL IMPACT/FUNDING SOURCE

Installation, signage, and striping of raised crosswalks/Street Fund

AVAILABLE BUDGET	PURCHASE AMOUNT
\$30,000	\$30,000

ACTION REQUESTED/ALTERNATIVES:

1. Provide feedback on concept

ATTACHMENTS:

1. PowerPoint with maps



December 17th, 2024

Uptown Traffic Calming Proposal



PROPOSED MODIFICATIONS

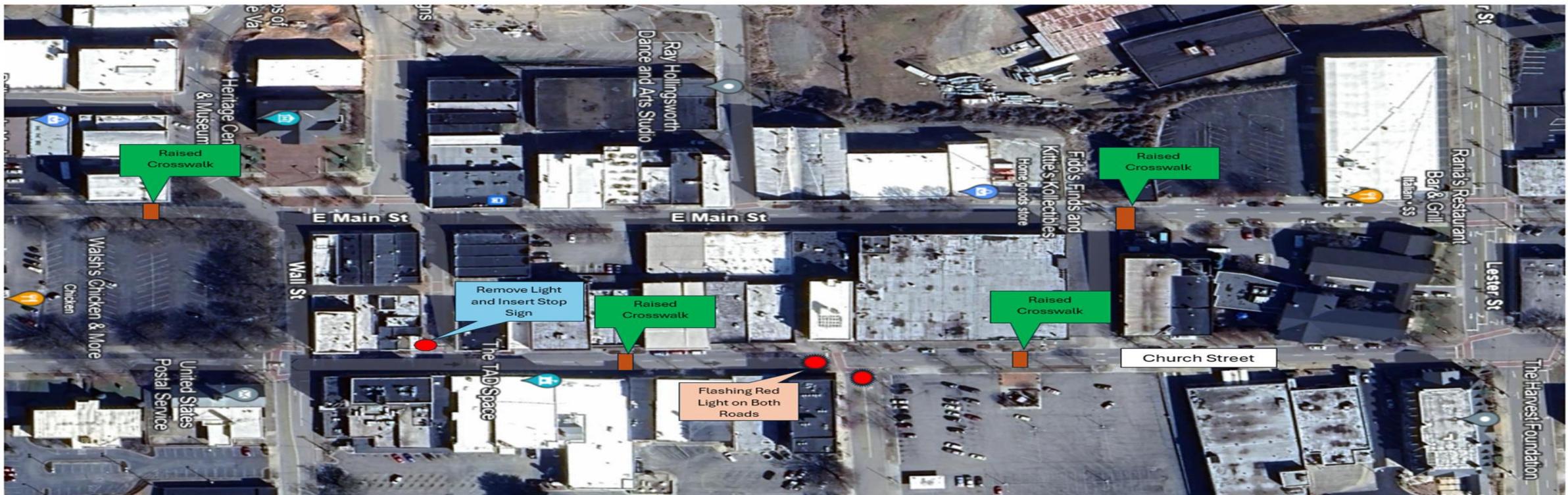


Install two raised crosswalks at mid-block locations along Church Street.

Removal of signal light at Church Street/Walnut Street. Add stop sign at Walnut Street.

Place signal light at Church Street/Broad Street to flashing red.

Install two raised crosswalks at mid-block locations along Main Street.



Proposed Uptown Improvements 2024

6/4/2024

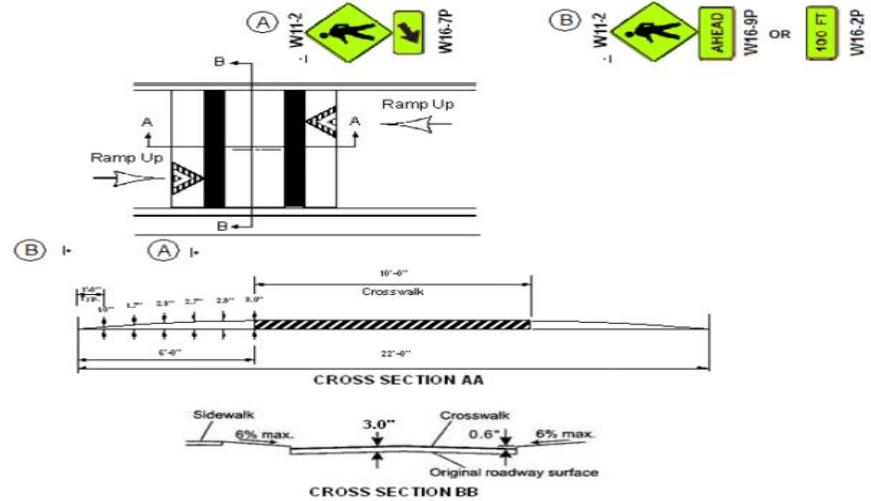
Raised Crosswalk (4)

Flashing Red Light (2)

Raised Crosswalk Detail

FIGURE A-8

RAISED CROSSWALK



NOTES:

1. For appropriate application, see [FIGURE A – Subdivision street characteristics pertaining to the selection of traffic calming devices](#) in this document.
2. VDOT's Traffic Engineering Instructional & Informational Memorandum IIM-TE-384.0 titled "Pedestrian Crossing Accommodations at Unsignalized Locations" governs new crosswalks or modifications to an existing crosswalk or other pedestrian-related accommodations.
3. Per the 2009 MUTCD and the VaSupMUTCD:
 - i. [Section 3B.25](#) -speed hump (table) markings are not required but if used they must comply with options per Section 3B.25.
 - ii. [Section 2C.50](#) -the W11-2 may be used in advance of a crosswalk and if used; shall include supplementary plaque W16-9P or W16-2P. If used at the location of a crossing point, the W11-2 should include the supplemental W16-7P plaque.
 - iii. [Section 2C.50](#) -The W11-2 sign must be fluorescent yellow-green with black legend and border
4. A 12" wide, 1" depth grind around the perimeter of the device is recommended in order to allow the surface course to be keyed into the pavement for a more durable application, particularly for snow plowing.
5. Leave gutter pan open to facilitate drainage.



Questions or
Comments?