DANVILLE CITY COUNCIL REGULAR MEETING AGENDA

REVISED

MUNICIPAL BUILDING

March 21, 2023

7:00 PM

PRESIDING:	Alonzo L. Jones, Mayor	
CITY COUNCIL MEMBERS:	James B. Buckner L.G. "Larry" Campbell, Jr. Bryant Hood Barry P. Mayo	Dr. Gary P. Miller, Vice Mayor Sherman M. Saunders J. Lee Vogler, Jr., Madison J. Whittle
STAFF:	Ken F. Larking, City Manager Earl B. Reynolds, Jr., Deputy City Manager	W. Clarke Whitfield, Jr., City Attorney Susan M. DeMasi, City Clerk

The City Council is the City of Danville's legislative body and is composed of nine Council members. Council members are elected to serve a four year term of office and elects one of its own to serve as Mayor and presiding officer for a two year term.

Time and Place of Meeting
The public is invited and encouraged to attend and participate in the City Council meetings. The City Council meets in the City Hall, Fourth Floor, Council Chambers at 7:00 p.m. on the first and third Tuesday of each month. All meetings of the Council are open to the public.

Communications from Visitors
Communication from Visitors is an opportunity for citizens, who have signed up to speak, to address Council on matters not on the agenda. Citizens who desire to speak on agenda items will be heard when the agenda item is considered. Each speaker shall clearly state his or her name and address, and shall have three uninterrupted minutes. A representative of a group may have up to five uninterrupted minutes to make a presentation. The representative shall identify the group and a group may have no more than one spokesperson. Time will be kept using the electronic timer on the podium.

Guidelines for Public Hearings
For Public Hearings the applicant or his or her representative shall be the first speaker(s). There shall be a time limit of ten (10) minutes for the applicant's or his or her representative's presentation. The presiding officer shall then solicit comments from the public, asking those in favor of the proposal to speak first, and then those opposed to the proposal. Each speaker must clearly state his or her name and address. There shall be a time limit of three (3) minutes for each individual speaker. If the speaker represents a group, there shall be a time limit of five (5) minutes. A speaker representing a group shall identify the group at the beginning of his or her remarks. A group may have no more than one spokesperson. The presiding officer may limit or preclude comment which is

repetitive, redundant, cumulative, or irrelevant to the subject of the public hearing. After public comments have been received, in a land use case, the applicant or the representative of the applicant, at his or her discretion, may respond with a rebuttal. There shall be a five (5) minute time limit for rebuttal.

MEETING CALLED TO ORDER

ROLL CALL

INVOCATION - J. LEE VOGLER, JR.

PLEDGE OF ALLEGIANCE TO THE FLAG

ANNOUNCEMENTS AND SPECIAL RECOGNITION

A. Update: SOVAH Danville
Presented by: Steven Heatherly, CEO SOVAH Danville

B. Presentation of the City Manager's Proposed Fiscal Year 2024 Budget
Presented by: Ken Larking

CONSENT AGENDA

All matters listed under the Consent Agenda are considered to be routine, have previously been discussed by City Council and/or introduced for First Reading. There will be no separate discussion on these items and they will be enacted by one motion. If discussion is desired by a Council Member or a citizen, the item(s) will be removed from the consent process and considered separately.

1. PUBLIC HEARING

A. Consideration of Approval of Minutes from Regular Council Meeting held on February 21, 2023.
Council Letter Number CL - 372.

B. Consideration of Amending the Fiscal Year 2023 Budget Appropriation Ordinance for Appropriation of Opioid Settlement Funds.
Council Letter Number CL - 28.

An Ordinance Amending the Fiscal Year 2023 Budget Appropriation Ordinance by Increasing Revenues from the National Opioids Settlement Trust and Opioid Abatement Authority in the Amount of $1,087,500 and Appropriating the Same.
FINAL ADOPTION

C. Consideration of State Aviation Capital Grant Funding.
Council Letter Number CL - 339.

An Ordinance Amending the Fiscal Year 2023 Budget Appropriation Ordinance to Provide for Additional State Aviation Funding in the Amount of $260,409 with a Local Share in the Amount of $129,774 for a Total Amount of $390,183 and Appropriating Same.
FINAL ADOPTION

NEW BUSINESS

A. Review of General Fund Financials as of February 28, 2023.

Council Letter Number CL - 364.

B. Consideration of the Release of Unused Gas Easements on South Boston Road and Kentuck Road.
Council Letter Number CL - 357.

1. Public Hearing

2. A Resolution Authorizing the Abandonment of an Unused City Utility Easement Across City Parcels #76416, #76417, #76421, and #78091 in Order to Facilitate Development upon the Same Property.

C. Consideration of Amending Danville City Code regarding Elderly and Disabled Real Estate Tax Exemption.
Council Letter Number CL - 368.

1. Public Hearing

2. An Ordinance Amending Article Iv, Entitled "Real Estate and Mobile Home Tax Exemption and Deferral for Certain Elderly and Disabled Persons," of Chapter 37, Entitled "Taxation," of the Danville City Code to Allow for Revisions to the Real Estate Exemption and Deferral Program.
FIRST READING

D. Consideration of a Resolution to Issue Revenue Bonds for Electric and Water Infrastructure.
Council Letter Number CL - 364.

Resolution Providing for the Issuance and Sale by the City of Danville, Virginia, of a Taxable Utility System Revenue Bond, Series 2023, in a Principal Amount not to Exceed $7,500,000, Heretofore Authorized, and Providing for the Form, Details and Payment of Such Bond.

E. Consideration of New National Opioid Settlements.
Council Letter Number CL - 399.

A Resolution of the City Council of the City of Danville, Virginia Authorizing and Approving of the City's Participation in the Proposed Settlement of Opioid-Related Claims Against Teva, Allergan, Walmart, Walgreens, CVS, and their Related Corporate Entities, and Directing the City Attorney and/or the City's Outside Counsel to Execute the Documents Necessary to Effectuate the City's Participation in the Settlements.

F. Consideration of an Ordinance Extending a Temporary Ambulance Operator's Permit to Fab's Family Medical Transport
Council Letter Number CL - 423.

An Ordinance Extending a Temporary Ambulance Operator's Permit to Fab's Family Medical Transport.

COMMUNICATIONS FROM VISITORS

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COMMUNICATIONS FROM:

A. City Manager

B. Deputy City Manager

C. City Attorney

D. City Clerk

E. Roll Call

ADJOURNMENT

Council Letter
City of Danville, Virginia

CL - 372 **CONSENT AGENDA A.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: Consideration of Approval of Minutes from Regular Council Meeting held on February 21, 2023.

From: Susan DeMasi, City Clerk

COUNCIL ACTION

Attachments

1. Meeting Minutes

The Second Regular February meeting of the Danville City Council was held on February 21, 2023, at 7:00 p.m. in the Council Chambers located on the Fourth Floor of the Municipal Building. The following Council Members were present: James B. Buckner, Bryant Hood, Mayor Alonzo L. Jones, Barry Mayo, Dr. Gary P. Miller, Sherman M. Saunders, J. Lee Vogler, Jr., and Madison J.R. Whittle (8). L.G. "Larry" Campbell Jr., was absent (1). *Council Member Vogler left the meeting at 7:57 p.m.*

Staff Members present were: City Manager Ken F. Larking, City Attorney W. Clarke Whitfield, Jr., and City Clerk Susan M. DeMasi. Deputy City Manager Earl B. Reynolds, Jr., was absent.

Mayor Jones presided.

INVOCATION AND PLEDGE OF ALLEGIANCE

Council Member Sherman M. Saunders gave the Invocation followed by the Pledge of Allegiance.

ANNOUNCEMENTS AND SPECIAL PRESENTATIONS

Presentation: City of Danville Kick-Off of PLAN Danville
2040 Comprehensive Land Use Project

Presented by: Renee Burton, Planning Director

Renee Burton thanked Council for their support of PLAN Danville, and introduced members of the team, Kendra Hyson and Suzanne Schultz; Ms. Hyson noted she was a consultant/landscape architect with Smith Group based out of Washington, DC, and Ms. Schultz noted she was with Progressive AE out of Grand Rapids, MI. Ms. Hyson reviewed a Power Point presentation explaining a comprehensive plan was a twenty year policy document that was required by the Commonwealth of Virginia and directs how and where development and change will happen within the City. The Plan builds on the work the City was already doing, brings those things together to have a comprehensive vision so everyone was moving in the same direction to get the City to where they want it to be. Ms. Hyson noted there were a lot of great things going on in Danville, a lot of new investment, so this was the perfect time to be embarking on a plan like this. Ms. Hyson reviewed the leadership involved, and the six areas of focus for the plan, which can fluctuate as they do community engagement. They had a pre-planning process some time ago; they came to Danville, did research, met with different stakeholders to get an understanding of what was the baseline, what was happening in the City so they could prepare an approach.

The approach they came up with was one they typically use throughout all their planning processes to ensure that they were inclusive, as well as forward thinking and actionable, and included five steps: Share, Dream, Explore, Draft and Go. From the pre-planning process, they uncovered plan drivers, aspirations and will ultimately end with recommendations. The plan drivers were equity, health, and resiliency; those were three guiding values they want to make sure all of their recommendations, strategies and actions were working toward.

Equity would be Danville being inclusive for its diverse residents, workers and neighbors; they want to make sure they were driving an equitable process and they hear all the voices that may not have been heard before, to make sure the plan was representative of everyone. Health: Danville will enhance quality of life for community members through connected networks of services and places that encourage healthy choices and improve physical and mental health. They understand there were challenges with regard to physical and mental health, access to healthcare,

DRAFT

and spaces to have physical activity. Resiliency: Danville will better withstand, overcome and adapt to physical, social, environmental and economic threats and challenges. They want to make sure the community was not only resilient from an environmental standpoint but also economically resilient. They did receive a $200,000 grant to pursue a resiliency plan as a part of this comprehensive plan initiative. Plan Aspirations include prosperity for people, lifelong learning, advocacy and access, and neighborhood and networks.

Ms. Schultz discussed the engagement strategy, noting today was the soft launch, and they wanted to increase awareness with the official storefront opening on March 7th. They will have community ambassadors, leveraging existing events and will ask the community for their input. They have partnered with Tegeris doing digital media, but were also going to have the grassroot pieces. They want everyone in Danville to know that they can engage in this process, and want them to feel they all have a seat at the table; the community ambassadors were a key part of that. As they go out into the community they will be having conversations, talking to the community, meet them where they were, ask for their input so when they come together at the big community event, they will see the input they have already provided and it will be a bigger citywide picture.

Dr. Miller noted this was the time to do this and encouraged everyone to come out, listen to the discussion, and think positively about what it was going to do for their community. Council Member Vogler thanked them for the presentation and looked forward to coming by the storefront to see the progress taking place. Mr. Vogler noted the biggest thing he likes about this was that it engages their citizens, gives them a voice and opportunity to help shape the future of Danville. Danville's best days haven't already been written in the history books, they were in front of them, and the people of the City were going to be the ones to help move Danville forward.

Mayor Jones thanked the team for coming and giving the presentation.

COMMUNICATIONS FROM VISITORS

Mayor Jones recognized the following firefighters who spoke to Council regarding being a firefighter, wages, staffing, recruitment, overtime, retention, the hazardous materials team, and special training:

David Worsham, 1214 Old Liberty Terrace, Bedford
Robert Walker, 209 Oakdale Street, Martinsville, VA
Kevin Hayes, 3008 Old Mayfield Road, Danville
Joe Simpson, 1401 Broad Street, Altavista

Mayor Jones recognized Eric Finnecum, 401 Bridge Street, who spoke to Council regarding the work being done on Wilson Street next to where he lives, it was affecting his daily life and it looked like they were about to tear up the roads and sidewalks in his area. He only has one access point to his apartment building and if they tear up the road and sidewalks, he will have to no way to get into his building. He also spoke about the disability access in the City, vehicles parking on sidewalks blocking his access, inaccessible sidewalks without curb cutouts, and lack of handicap parking.

CONSENT AGENDA

Mayor Jones opened the floor for a Public Hearing regarding Budget Items on the Consent Agenda. Notice of the Public Hearing was published in the *Danville Register & Bee* on February 14, 2023. No one present desired to be heard and the Public Hearing was closed.

Council Member Buckner **moved** for adoption of the following Consent Agenda items:

<u>Minutes from the Council Inaugural Meeting held on January 3, 2023, Regular Council Meeting held on January, 17, 2023, and Regular Work Session held on January 17, 2023. Draft copies of the minutes had been distributed prior to the meeting.</u>

<u>Budget Appropriation – Amending the Fiscal Year 2023 Budget Appropriation Ordinance for a Virginia Land Conservation Foundation Grant Appropriation.</u>

An Ordinance entitled, Ordinance No. 2023-02.04, An Ordinance Amending the Fiscal Year 2023 Budget Appropriation Ordinance by Increasing Revenue from a Virginia Land Conservation Foundation Grant in the Amount of $500,000 and Appropriating the Same.

The Motion was **seconded** by Council Member Mayo and carried by the following vote:

VOTE:	8-0-1
AYE:	Buckner, Hood, Jones, Mayo, Miller, Saunders, Vogler, and Whittle (8)
NAY:	None (0)
ABSENT:	Campbell (1)

<u>NEW BUSINESS</u>

<u>Review of General Fund Financials as of January 31, 2023.</u>

Director of Finance Michael Adkins began his report noting that the results were through January 31, 2023, the first seven months of the fiscal year or 58% of the fiscal year completed. Revenues through January 31st were $64.5M, an increase of $3.4M over last year. Property taxes had little activity at this time of year, until the next billing and collection cycle which will be May and June. With the first half of the fiscal year billing concluded, the City had received 54% of the budget for real estate, finishing a little ahead of expected, and on target for Personal Property receiving 48%. The reason it does not quite get up to the 50% mark was because of the state funding that comes in unevenly through the year; the City receives more in the spring than in the fall, but were right where they should be. Delinquent real estate collections were active and have collected $708,000, 79% of the annual budget, and doing very well. The City was preparing for another auction of abandoned property which will occur this spring. Over half of the increases so far in revenues related to local retail sales, meals and lodging taxes. Meals tax increased $569,000 over last year, slightly ahead of budget at 59%; lodging taxes increased $315,000 which was slightly below budget at 53.5%, but Mr. Adkins noted he expected that to rebound. Through October, the average monthly receipts of motel and hotel taxes were $240,000 a month; this dropped to about $170,000 for November and December and if he speculated, he would say it was probably some of the construction teams that were staying here through the fall for construction projects, probably did not stay here as much over the holidays. Mr. Adkins noted he expected that to go back up with the milder weather and into the spring. Sales tax increased about $357,000 over last year, right on target with the budget at 58%, and as a preview to next month's report, the City received its monthly sales tax installment last week for December retail sales, and it was $1.17M which was a record amount for one month, that the City had not seen before. State based revenues continue to perform as expected and has no concerns there.

With regard to Expenditures through January 31st, the City expended $80.5M, 62% of the budget; the reason they were over the 58% mark for January was primarily timing. This year they transferred the General Fund revenues for capital projects in January; last year they made that transfer in March and April. Departmental Spending was at 55% of budget, just 3% under budgeted levels, so departments were still doing a good job keeping their operating expenditures well within the budgeted amounts at this point. Non-Departmental Expenses was primarily Debt Service and Group Health Insurance; Debt Service was a known amount, they know what that will be going into the budget and that was on track. Group Health Insurance, as reported in the past, has had a little bit of an uptick, seeing that exceeding budget at $400,000 at the end of January, 5% above budget, but also in January, the employee premium increase went into effect and that will help alleviate some of that overage as they end the fiscal year. Mr. Adkins noted he did not have any concerns about Revenues or Expenditures at this time.

Council Member Whittle questioned the City contribution of $26M into the school system, was that the total amount the City will push in this year. Mr. Adkins noted the budget this year, including carry forwards was $26M; at the end of January they had transferred almost $22M, they still have a little bit to go before they have what the local government provides. Mr. Whittle questioned the budget stabilization for $3M, and Mr. Adkins explained per the City's financial policies, and this resulted through the economic downturn the City experienced in 2008 and 2009, the City's policy was to keep $3M in reserves for unexpected economic downturns. That can be tapped if state revenues fall under a certain percentage of what was expected. Mr. Whittle noted he never received an answer to his question about the $27M in COVID money, he couldn't find it in the budget; Mr. Adkins explained it does not appear in the General Fund, it was separated in the Special Revenues and he will be glad to share a detailed listing of how that money was earmarked and spent to date.

Mr. Whittle stated with the Utility Department, they have another line item budget that they do beside the General Fund, and he never sees it. Mr. Adkins explained every month at the Danville Utility Commission meeting, a financial report was given on each of those Utility Funds; that can be shared with Council and he can include some summary information in the future. Mr. Whittle questioned the bonds and why the City was $6M for the Utilities or whatever they were bonding up every year and Mr. Adkins explained each year, the Utility Funds have a budgeted transfer to the General Fund which represents what they would pay if they were a private industry, business licenses, personal property taxes, real estate taxes and such. For their major projects they do issue bonds to spread that cost out over twenty years, such as replacing transformers, or something that lasts twenty to thirty years, those were usually financed through bonds. Mr. Whittle noted it seemed like the City was kicking the can down the road on buying a bond and spreading the money out, why not have the City not take the $15M, take $10.5M or whatever, and stop buying the bonds over time. Mr. Adkins noted the thinking behind it was generational equity; the City was going to buy something that was going to last twenty or thirty years, the question was, in the case of utilities, do they make the current rate payers pay it now for something they may not actually use or spread the cost of that infrastructure over the current and future customers as well. Mayor Jones noted Council Members Whittle and Campbell serve on the Educational Committee, it would be good if staff gave them a report on the education expenditures.

CONSIDERATION OF A RESOLUTION TO AMEND CITY COUNCIL'S RULES AND PROCEDURES

Council Member Vogler **moved** for adoption of a Resolution entitled:

RESOLUTION NO. 2023-02.06

A RESOLUTION AMENDING THE RULES OF PROCEDURE FOR THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA.

The Motion was **seconded** by Council Member Mayo and carried by the following vote:

VOTE:	8-0-1
AYE:	Buckner, Hood, Jones, Mayo, Miller, Saunders, Vogler, and Whittle (8)
NAY:	None (0)
ABSENT:	Campbell (1)

BUDGET AMENDMENT- CONSIDERATION OF AMENDING THE FISCAL YEAR 2023 BUDGET APPROPRIATION ORDINANCE FOR THE 2021 ASSISTANCE TO FIREFIGHTERS GRANT

Upon **Motion** by Council Member Buckner, and **second** by Council Member Whittle, an Ordinance entitled:

ORDINANCE NO. 2023-02.05

AN ORDINANCE AMENDING THE FISCAL YEAR 2023 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR A GRANT FROM THE DEPARTMENT OF HOMELAND SECURITY IN AN AMOUNT OF $97,447 AND A LOCAL SHARE IN THE AMOUNT OF $9,745 FOR A TOTAL APPROPRIATION IN THE AMOUNT OF $107,192, AND APPROPRIATING SAME.

was presented by its **First Reading**, as required by City Charter, to lie over before final adoption.

Council Member Whittle stated the money was coming in from Homeland Security, does it come to the City, and where does the money go. Deputy Fire Chief Tim Duffer explained the City gets the $97,447 and has to put a portion in to make up the $107,192. The City spends it, sends all the receipts into FEMA and they reimburse the City; the money was used in the City and this item was for washers to clean the turn out gear. It was a cancer reduction program.

BUDGET AMENDMENT – CONSIDERATION OF AMENDING THE FISCAL YEAR 2023 BUDGET APPROPRIATION ORDINANCE FOR THE FISCAL YEAR 2023 COMPREHENSIVE SERVICES ACT APPROPRIATION

Upon **Motion** by Council Member Vogler and **second** by Council Member Buckner, an Ordinance entitled:

ORDINANCE NO. 2023-02.06

AN ORDINANCE AMENDING THE FISCAL YEAR 2023 BUDGET APPROPRIATION ORDINANCE BY APPROPRIATING COMPREHENSIVE SERVICES ACT FUNDS AND PROVIDING LOCAL MATCHING FUNDS FOR A TOTAL AMOUNT OF $4,780,388 AND APPROPRIATING SAME.

was presented by its **First Reading**, as required by City Charter, to lie over before final adoption.

COMMUNICATIONS

Mayor Jones noted Council this evening passed a Resolution making changes to some of their Rules of Procedure, and confirming they were following changes made in 2019. Beginning with the March 7, 2023 Council meeting, citizens will now use the following guidelines: Citizens who wish to speak under Communications from Visitors will now have three minutes to speak; a citizen representing a group will have five. These changes were actually made in 2019 and were now being implemented. Citizens will be required to sign up to speak no later than noon the Friday before the scheduled Council meeting. Citizens may sign up on the City's website or call the City Clerk at 797-8928. A new sign up page will be on the website by the end of the week. The order of business on the Council agenda has been changed also. Communications from Visitors will now be after the New Business section and before Communications from staff and Council.

City Manager Ken Larking noted Dr. Hairston passed on information about the Read Across America challenge; there was a kick off on March 2, 2023 at 10:00 a.m. at the Ruby B. Archie Library. Dr. Hairston was asking any Council Member that wanted to sign up to read at a school following the event, to let the City Manager know and he will pass that information along.

There were no communications from the City Attorney or City Clerk.

Council Member Hood thanked the firefighters for their service. Mr. Hood noted PLAN Danville, coming from a citizen first to see that, was exactly what citizens wanted to see, everyone getting together and connectively joining in to make the City better. Mr. Hood gave a shout out to the Wendell Scott Legacy Gala which had great attendance and scholarships given out, and also to the E Boys Scholarship Gala this past week.

Council Member Mayo noted PLAN Danville was a great event and encouraged citizens to go by when they open; their input matters. Mr. Mayo noted he works with the Department of Corrections at Danville Community College, they will be hosting a Family Reunification workshop on March 22nd at DCC. It was to help citizens coming out of incarceration, coming back to families they may have disconnected with; it provides them with information on available resources.

Vice Mayor Miller recognized Barbara Stanfield who was a nurse for forty-seven years at the hospital; she was an excellent nurse, everyone loved her and she did a lot for the community. Members of the Council approved an Ambulance service about a month ago for Fab's. Since then, LifeCare who provided transport services, closed in the region leaving a shortage. The owner of Fab's has ordered two more ambulances and there will be a ribbon cutting soon.

Council Member Whittle thanked the firefighters for coming this evening, and Council will work through the process.

Council Member Buckner thanked the firefighters for coming this evening and looked forward to a resolution as soon as possible.

Mayor Jones thanked everyone for being here this evening and thanked those who spoke this evening; they were going to work diligently for all the staff. Mayor Jones noted he had the opportunity to stop by George Washington High School to view the GLH Johnson black history program, and March 2, 2023 was Read Across America at the Ruby B. Archie Library.

ADJOURNED: 8:06 PM

DRAFT

APPROVED:

____
MAYOR

ATTEST:

____
CITY CLERK

DRAFT

Council Letter
City of Danville, Virginia

CL - 28 **CONSENT AGENDA B.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: Appropriation of Opioid Settlement Funds

From: Henrietta Weaver, Budget Director

COUNCIL ACTION

An Ordinance Amending the Fiscal Year 2023 Budget Appropriation Ordinance by Increasing Revenues from the National Opioids Settlement Trust and Opioid Abatement Authority in the Amount of $1,087,500 and Appropriating the Same.

FINAL ADOPTION

SUMMARY

The City of Danville, as a participant in the settlement reached by the Commonwealth of Virginia against opioid manufacturers and distributors, has begun to receive its direct share of settlement funds from the National Opioids Settlement Fund Trust. An estimated $745,715 will be received in direct payments from the Trust and additional amounts estimated at $341,786 is anticipated from the Opioid Abatement Authority (OAA). Of the total amount expected from the OAA $68,357 is in the form of incentive payments for spending all settlement funds in accordance with OAA requirements. An estimated total of $1,087,500 is expected to be received in annual installments through Fiscal Year 2039.

BACKGROUND

The opioid epidemic that has cost thousands of human lives across the country, also impacts the City of Danville by adversely impacting the delivery of emergency medical, law enforcement, criminal justice, mental health and substance abuse services, and other services by the City's various departments and agencies.

In August 2021, the Commonwealth of Virginia reached a global settlement of claims against many of the opioid entities on behalf of itself and its participating localities, including Danville. In order to participate in the settlement and receive distributions of a portion of the settlement funds, Danville released its claims and entered into a Virginia Opioid Abatement Fund and Settlement Allocation Memorandum of Understanding with the Commonwealth and other localities (the "Settlement MOU"). City Council approved the Settlement MOU by Resolution 2021-12.06 adopted December 7, 2021.

RECOMMENDATION

It is recommended that City Council adopt the attached ordinance accepting settlement funds from the National Opioids Settlement Fund Trust and Opioid Abatement Authority and appropriating said funds to be used for purposes that meet the requirements of the memo of understanding.

Attachments

1. Ordinance

PRESENTED: ____________________

ADOPTED: ______________________

ORDINANCE NO. 2023 -____.____

AN ORDINANCE AMENDING THE FISCAL YEAR 2023 BUDGET APPROPRIATION ORDINANCE BY INCREASING REVENUES FROM THE NATIONAL OPIOIDS SETTLEMENT TRUST AND OPIOID ABATEMENT AUTHORITY IN THE AMOUNT OF $1,087,500 AND APPROPRIATING THE SAME.

WHEREAS, the City of Danville is the recipient of opioid settlement funds from the National Opioids Settlement Trust and Opioid Abatement Authority in the amount of $1,087,500 to be received in annual installments through Fiscal Year 2039; and

WHEREAS the funding will be used for the purposes approved by the Virginia Opioid Fund and Settlement Allocation Memorandum of Understanding; and

WHEREAS, the funds will be posted to a project account in the Special Revenue Fund set up to hold funds which will be transferred to projects as determined.

NOW THEREFORE, BE IT ORDAINED, by the Council of the City of Danville, Virginia, that the Fiscal Year 2023 Budget Appropriation Ordinance be, and the same hereby is, amended, by increasing revenues to anticipate the receipt of funds in the amount of $1,087,500, such revenue and appropriation to be as follows:

ANTICIPATED REVENUES

Description	Account No.	Amount
Virginia Opioid Fund Recoveries and Rebates	61792000-43810	$1,087,500

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
Virginia Opioid Fund	61792999-50	$1,087,500

AND BE IT FURTHER ORDAINED, that this appropriation shall be a continuing appropriation and shall carry forward from year to year until expended for the purpose for which appropriated; and

BE IT FURTHER ORDAINED, that a flexible budget is hereby authorized whereby appropriations may be increased to the extent that actual revenues differ from the original budget amount; and

BE IT FINALLY ORDAINED, that all other accounts and provisions of the Fiscal Year 2023 Budget Appropriation Ordinance, as amended, not hereby amended, shall continue in full force and effect unless and until hereafter further amended or repealed.

APPROVED:

____
Mayor

ATTEST:

____
City Clerk

APPROVED AS TO
FORM AND LEGAL SUFFICIENCY:

____
City Attorney

Council Letter
City of Danville, Virginia

CL - 339 **CONSENT AGENDA C.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: State Aviation Capital Grant funding

From: Marc Adelman, Director of Transportation Services

COUNCIL ACTION

An Ordinance Amending the Fiscal Year 2023 Budget Appropriation Ordinance to Provide for Additional State Aviation Funding in the Amount of $260,409 with a Local Share in the Amount of $129,774 for a Total Amount of $390,183 and Appropriating Same.
FINAL ADOPTION

SUMMARY

The Virginia Department of Aviation administers an Airport Capital Grant program that provides funding for various projects. State funding participation is based on the project type. Last month, the state recommended funding for two different grant requests involving the replacement of the terminal building roof at the Danville Regional Airport and for design services related to the second phase of the South Ramp Rehabilitation project. The total cost for both projects is $390,183. State matching funds have been approved in the amount of $260,409 and the local match requirement is $129,774 to complete both projects.

BACKGROUND

Two projects are currently underway at the Danville Regional Airport that involve renovations to the terminal building and rehabilitating the south ramp. Last summer, a number of roof leaks were detected inside the terminal building and the architect working on the terminal building renovation project recommended that the roof should be replaced. Twenty years ago, major repairs were completed to the terminal building roof that involved covering the roof with sealant material. Due to the age and condition of the roof, a grant request was submitted to the Virginia Department of Aviation to provide funding to replace the existing roof. The state approved providing funding that would cover 65% of the cost to replace the roof.

In addition to the terminal building renovation project, the airport's south ramp is also under construction. In August 2022, partial grant funding was approved by the Federal Aviation Administration and the Virginia Department of Aviation to rehabilitate the south ramp. Additional federal and state grant funding will be pursued this summer to complete Phase 2 of the south ramp project. The second phase of the project will involve paving the ramp and is expected to cost approximately $3,000,000 to complete. The cost to complete Phase 1 of the project is approximately $2,000,000. The Virginia Department of Aviation also recommended funding for an engineering firm to develop bid documents this spring related to bidding Phase 2 of the south ramp rehabilitation project, which will cover 80% of the cost of the design services project.

RECOMMENDATION

It is recommended that City Council approve an Ordinance Amending the Fiscal Year 2023 Budget Appropriation Ordinance for State Aviation Capital grant funding and the local share and appropriating the same. The local share for this project will be provided through Fiscal Year 2023 Undesignated Capital Improvement funds.

Attachments

1. Ordinance

PRESENTED: ____________________

ADOPTED: ______________________

ORDINANCE NO. 2023 - ______._______

AN ORDINANCE AMENDING THE FISCAL YEAR 2023 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR ADDITIONAL STATE AVIATION FUNDING IN THE AMOUNT OF $260,409 WITH A LOCAL SHARE IN THE AMOUNT OF $129,774 FOR A TOTAL AMOUNT O F $390,183 AND APPROPRIATING SAME.

WHEREAS, design services are required to complete bid documents related to Phase 2 of the South Ramp Rehabilitation project; and

WHEREAS, the existing condition of the terminal building roof requires replacement; and

WHEREAS, the design services project will be funded at eighty percent with state capital aid and the replacement of the terminal roof will be funded at sixty-five percent with state capital aid.

NOW THEREFORE, BE IT ORDAINED, by the Council of the City of Danville, Virginia that the Fiscal Year 2023 Budget Appropriation Ordinance be, and it is hereby, amended by increasing revenues for grants from the Virginia Department of Aviation in the amount of $260,409 with a local match of $129,774 for a total of $390,183, such funds to be appropriated as follows:

ANTICIPATED REVENUES

Description	Account No.	Amount
South Ramp Phase II Design State Aviation Funds	61848000-45712	$ 36,221
Local Share Recoveries and Rebates	61848000-43810	$ 9,056
	Total	$ 45,277

ANTICIPATED REVENUES

Description	Account No.	Amount
Airport Terminal Roof Replacement		
State Aviation Funds	61849000-45712	$ 224,188
Local Share		
Recoveries and Rebates	61849000-43810	$ 26,205
Transfer In from General Fund	61849000-6101	94,513
	Sub-total	$ 120,718
	Total	$ 344,906

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
South Ramp Phase II Design	61848999-50	$ 45,277
Airport Terminal Roof Replacement	61849999-50	$ 344,906

AND BE IT FURTHER ORDAINED that a transfer from Undesignated Capital Project Fund revenue and appropriation is hereby authorized to cover the local share as follows:

TRANSFER FROM

Description	Account No.	Amount
Undesignated Capital Improvement Funds		
Recoveries and Rebates	60000000-43810	($ 35,261)
Transfer In from General Fund	60000000-6101	($ 94,513)
	Sub-total	($ 129,774)
Unallocated	60000000-6999	($ 129,774)

AND BE IT FURTHER ORDAINED that this appropriation shall be a continuing appropriation and shall carry forward from year to year until expended for the purpose for which appropriated; and

BE IT FINALLY ORDAINED that all other accounts and provisions of the Fiscal Year 2023 Budget Appropriation Ordinance, as amended, not hereby amended, shall continue in full force and effect unless and until hereafter further amended or repealed.

APPROVED:

____
Mayor

ATTEST:

____
Clerk

Approved as to
Form and Legal Sufficiency:

____
City Attorney

Council Letter
City of Danville, Virginia

CL - 364 **NEW BUSINESS A.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: General Fund Financial Review

From: Michael Adkins, Chief Financial Officer

COUNCIL ACTION

A brief presentation on the General Fund financial results through February 28, 2023, will be given. Financial statements are included.

Attachments

1. Financial Statements

To: **Ken F. Larking, City Manager**

From: **Michael L. Adkins, Chief Financial Officer**

Date: **March 13, 2023**

Subject: Summary of Preliminary General Fund Financial Results for February 28, 2023

As of February 28, 2023, with two-thirds of FY 2023 complete, revenues are ahead of the previous year. As of February 28, General Fund revenues were $73,836,006. This represents 60% of our FY 2023 budget. This is an increase of $4.6 million over February 28, 2022. Apart from small decreases in permits, fines, miscellaneous revenues, and transfer in from other funds, all major revenue categories are ahead of the prior year. The increase over last year is primarily from growth in property and local taxes.

General Property Tax collections continue to perform well with 54% of the budgeted real estate tax realized at the end of February. We continue to see steady performance in the collection of delinquent real estate taxes this year with $770,030 realized in the first eight months. This accounts for 86% of the current year budget. Personal property tax collections are tracking as expected with 50% collected as of February 28.

Regarding local taxes, sales tax collections through February amounted to $7,725,754 or 68% of budget, an increase of $365,000 from last year. Meals taxes collected for the first eight months of the fiscal year amounted to $7,258,463 or 67% of budget, an increase of $730,000 from last year. Business Licenses realized through the end of February were $3,961,469, an increase of $804,000 from the prior year. Lodging taxes received as of February 28, were $1,698,808 or 59% of budget, an increase of $351,000 from the prior year. All other local tax revenue categories are tracking well with budget and are exceeding or comparable to the prior year at this point.

Expenditures through February 28 were $88,985,802 or 69% of budget. This is an overall increase of $11 million when compared to February 28, 2022. The increase in departmental expenditures of $7.2M or 65% make up the largest part of this increase. This increase can be attributed to an overall increase in salary and benefits of $3.5M, the timing of payments for maintenance service contracts within general government and an increase in public safety for workers' compensation claims, along with operating expenses related to the new police headquarters. The remaining increase was the result of increased budgeted transfers to the Capital Improvement Fund of $2.1 million for the Riverfront Park Construction, increased employee health clinic costs of $137,000 and increase debt service costs of $444,000.

Overall, General Fund expenditures exceeded revenues by $15 million at February 28. Although this current imbalance is more than usual primarily due to timing of expenditures, it is an improvement from January of $900,000. A deficit is typical for much of the fiscal year in the General Fund because the timing of revenue recognition is not matched with expenditures. However, at this point, the General Fund is performing as expected.

CITY OF DANVILLE, VIRGINIA
GENERAL FUND REPORT
67% OF YEAR LAPSED AS OF FEBRUARY 28, 2023
PRE-CLOSING FIGURES - SUBJECT TO CHANGE - UNAUDITED

	Budgets & Appropriations For Current Year	Actual Revenues & Expenditures For Year-to-Date	Percent Realized/Expended This Year	Encumbrances	Balance to be Realized/Expended	Actual Revenues & Expenditures At This Date Last Year
REVENUES:						
Property Taxes	$ 36,963,520	$ 19,566,320	52.93%		$ 17,397,200	$ 18,410,505
Other Local Taxes	34,079,500	22,173,608	65.06%		11,905,892	19,820,493
License Permits & Privilege Fees	283,330	340,675	120.24%		(57,345)	352,385
Fines & Forfeitures	299,600	139,249	46.48%		160,351	136,274
Revenue From Use Money & Property	696,940	1,123,372	161.19%		(426,432)	1,102,259
Charges For Services	3,389,630	2,050,998	60.51%		1,338,632	1,887,465
Miscellaneous Revenue	47,710	180,062	377.41%		(132,352)	148,723
Recovered Cost	8,490,570	5,311,384	62.56%		3,179,186	4,859,783
Non-Categorical Aid	5,528,740	3,284,576	59.41%		2,244,164	3,095,381
Shared Expenses (Categ. Aid State)	5,637,550	3,703,873	65.70%		1,933,677	3,535,627
Categorical Aid (State)	10,071,947	5,413,121	53.74%		4,658,826	4,716,700
Emergency Services (Federal)	27,020	-	0.00%		27,020	-
Categorical Aid (Federal)	-	9,435	0.00%		(9,435)	6,630
Transfers From Utilities/Other Funds	17,673,000	10,539,333	59.64%		7,133,667	11,199,696
TOTAL REVENUES	**$ 123,189,057**	**$ 73,836,006**	**59.94%**		**$ 49,353,051**	**$ 69,271,922**
EXPENDITURES:						
General Government Administration	$ 13,412,254	$ 9,408,353	70.15%	$ 210,110	$ 3,793,792	$ 7,771,376
Judicial Administration	8,381,898	5,679,151	67.75%	33,066	2,669,681	4,955,553
Public Safety	37,039,200	23,256,022	62.79%	599,296	13,183,881	20,097,150
Public Works	5,080,177	3,215,929	63.30%	140,367	1,723,881	2,750,201
Health, Education, Welfare & Soc. Svc.	9,538,774	5,095,946	53.42%	52,484	4,390,344	4,391,225
Parks, Recreation & Cultural	5,842,651	3,250,423	55.63%	38,772	2,553,456	3,043,525
Community Development	2,619,827	1,349,252	51.50%	47,116	1,223,459	1,044,585
Non-Departmental	16,147,670	10,163,213	62.94%	254	5,984,204	8,427,561
Transfer to Schools - Operating	26,300,818	23,276,567	88.50%	3,290,075	(265,824)	23,506,799
Transfer to Capital Projects	3,145,000	3,145,000	100.00%	-	-	706,483
Transfer to Other Funds	1,797,930	1,145,946	63.74%	-	651,984	1,283,236
TOTAL EXPENDITURES	**$ 129,306,199**	**$ 88,985,802**	**68.82%**	**$ 4,411,540**	**$ 35,908,857**	**$ 77,977,694**
Revenue over/(under) Expenditures		$ (15,149,796)				$ (8,705,772)
FUND BALANCE:						
Beginning Fund Balance 07/01/2022		$ 46,401,528				$ 47,090,495
Revenue over/(under) Expenditures		(15,149,796)				(8,705,772)
Ending Fund Balance 02/28/23		**$ 31,251,733**				**$ 38,384,723**
Composition of Fund Balance:						
Reserved for Encumbrances/Designated Funds		$ 8,414,637				$ 16,113,199
Unassigned		22,837,096				22,271,524
TOTAL FUND BALANCE 02/28/23		**$ 31,251,733**				**$ 38,384,723**

City of Danville, Virginia
Summary of Other Local Tax Revenues - PRE-CLOSING - UNAUDITED
For the period ending February 28, 2023

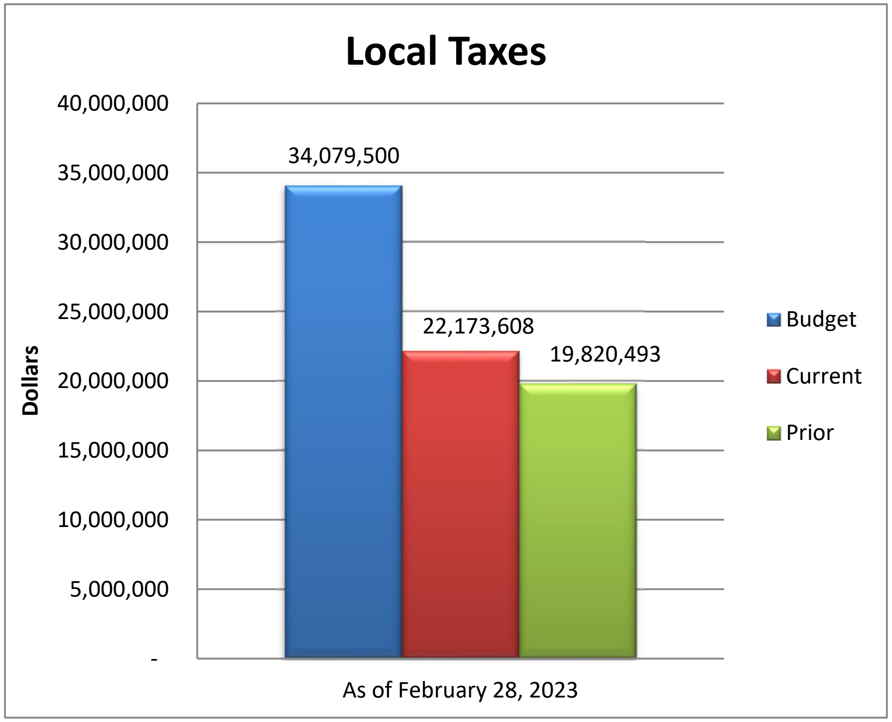
Description	Current Budget	Revenue Realized	Percentage Realized	Prior Year Budget	Prior Year Realized	Percentage Prior Year
Sales Tax	$ 11,302,050	$ 7,725,754	68.36%	$ 10,115,880	$ 7,361,202	72.77%
Business Licenses	5,430,000	3,961,469	72.96%	5,450,000	3,157,696	57.94%
Meals Tax	10,800,000	7,258,463	67.21%	8,471,320	6,528,938	77.07%
Utility Taxes	930,000	620,821	66.75%	940,000	621,565	66.12%
Vehicle License Fees	1,000,000	324,861	32.49%	1,000,000	277,071	27.71%
Bank Stock Tax	1,000,000	-	0.00%	940,000	4,902	0.52%
Recordation Tax	270,000	256,466	94.99%	200,000	246,441	123.22%
Hotel Motel Tax	2,885,080	1,698,808	58.88%	1,511,630	1,348,082	89.18%
Daily Property Rental Tax	12,370	15,521	125.48%	13,200	12,205	92.47%
Motor Vehicle Tax	200,000	157,873	78.94%	162,000	137,483	84.87%
DMV Fees	250,000	153,573	61.43%	260,000	124,908	48.04%
TOTAL	$ 34,079,500	$ 22,173,608	65.06%	$ 29,064,030	$ 19,820,493	68.20%

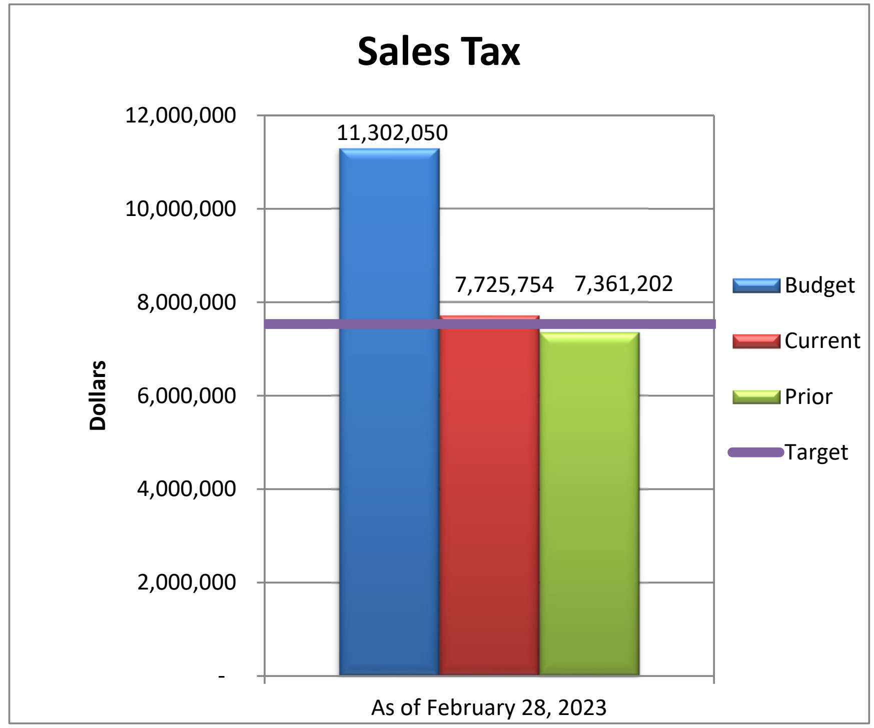
CITY OF DANVILLE, VIRGINIA
GENERAL FUND
COMPOSITION OF FUND BALANCE
PRELIMINARY - AS OF FEBRUARY 28, 2023

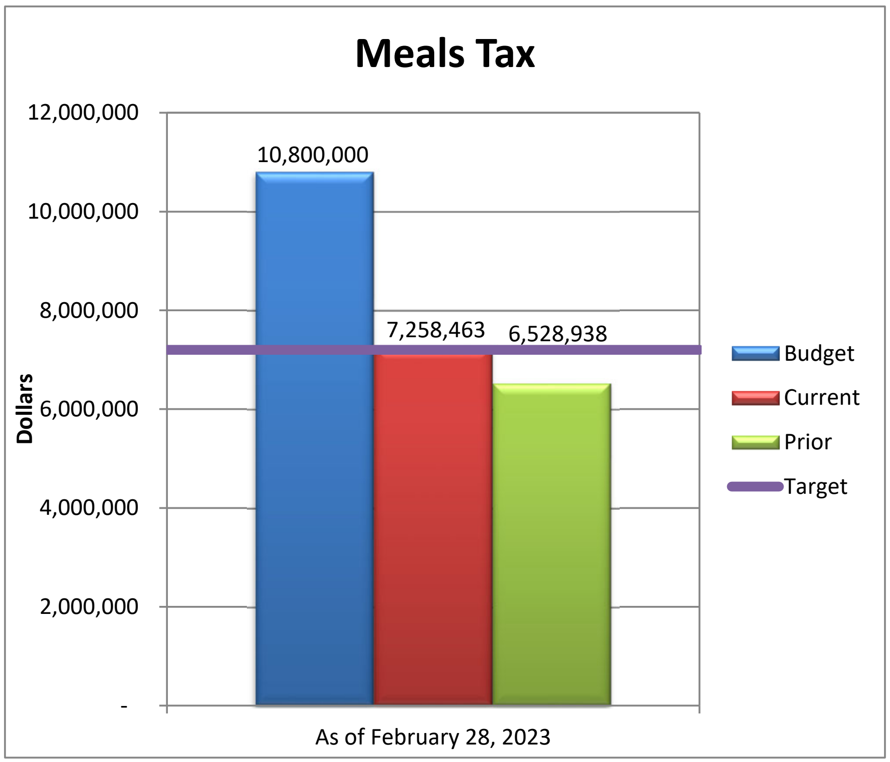
Beginning Total Fund Balance, July 1, 2022	46,401,528.32
Add: General Fund Revenues	73,836,006.22
Deduct: General Fund Expenditures	(88,985,801.81)
Ending Total Fund Balance, February 28, 2023	31,251,732.73

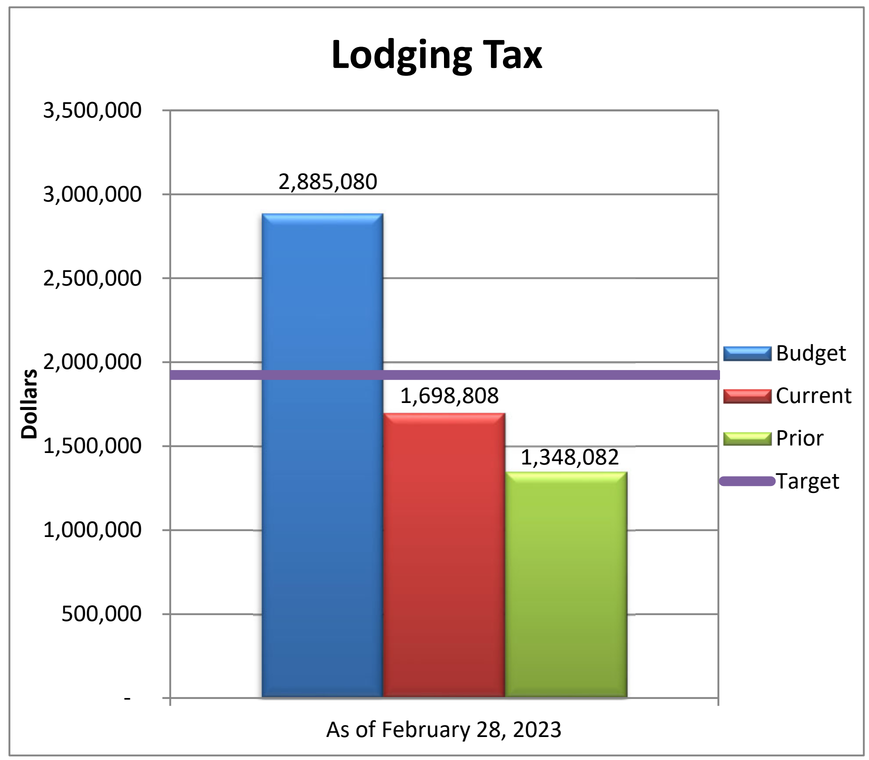
Composition of Fund Balance:	
Restricted for Commonwealth Attorney	103,683.31
Restricted for Police Department	40,230.65
Restricted for Fire Department	134,937.12
Committed for Sheriff's Department	42,461.36
Committed to Schools	3,290,075.21
Committed to Budget Stabilization	3,000,000.00
Assigned to Sheriff's Department	7,170.14
Assigned to Community Development	35,970.70
Assigned for Encumbrances	1,121,464.94
Nonspendable (Inventory and Prepaids)	638,643.09
UNASSIGNED	**22,837,096.21**
Total Fund Balance, February 28, 2023	31,251,732.73

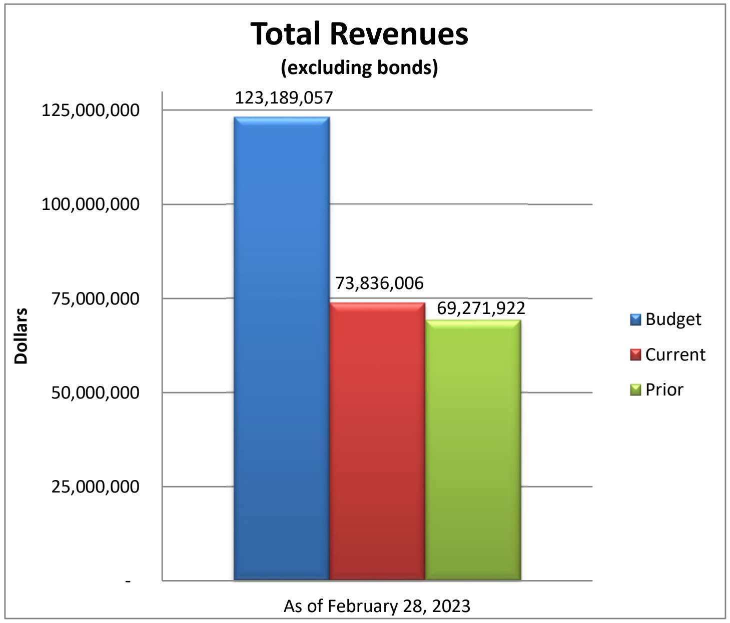
Unassigned fund balance from above	22,837,096.21
Unassigned Minimum per policy (20% of General Fund Operating Revenues) based on FY 2023 budget	24,637,811.40
Current surplus (deficit) over (under) minimum	(1,800,715.19)


Local Taxes
40,000,000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
-
Dollars
34,079,500
22,173,608
19,820,493
Budget
Current
Prior
As of February 28, 2023

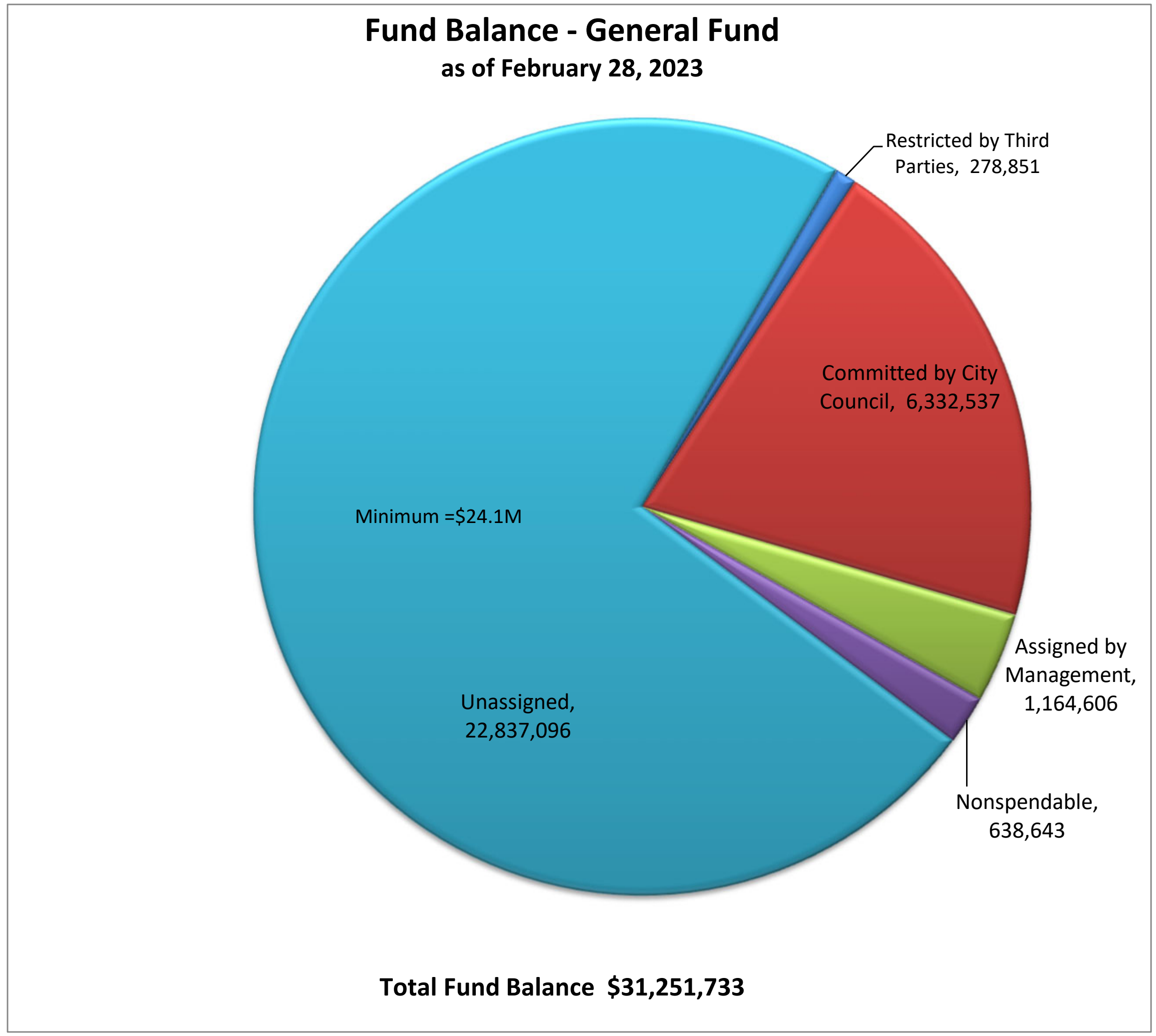

Sales Tax
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
Dollars
11,302,050
7,725,754
7,361,202
Budget
Current
Prior
Target
As of February 28, 2023


Meals Tax
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
Dollars
10,800,000
7,258,463
6,528,938
Budget
Current
Prior
Target
As of February 28, 2023

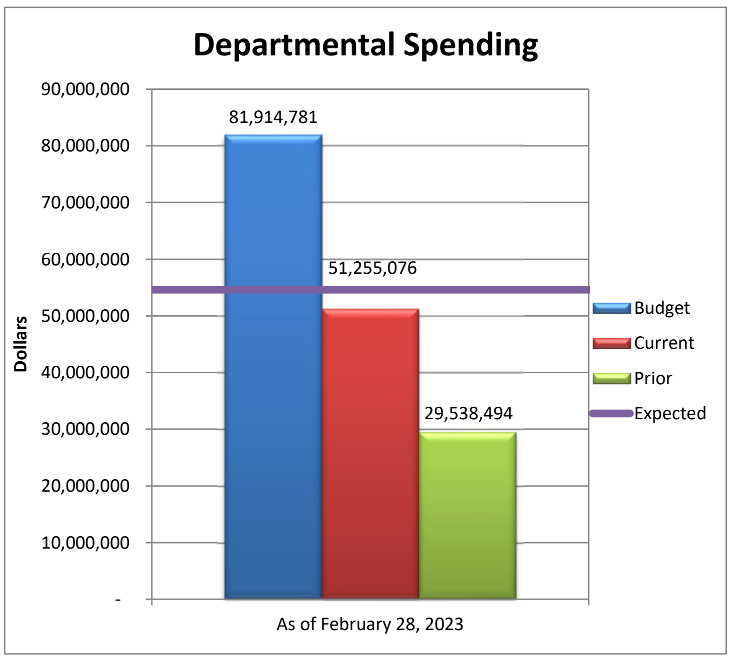

Lodging Tax
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
Dollars
2,885,080
1,698,808
1,348,082
Budget
Current
Prior
Target
As of February 28, 2023



Total Revenues
(excluding bonds)
125,000,000
100,000,000
75,000,000
50,000,000
25,000,000
-
Dollars
123,189,057
73,836,006
69,271,922
Budget
Current
Prior
As of February 28, 2023



Fund Balance - General Fund
as of February 28, 2023
Restricted by Third Parties, 278,851
Committed by City Council, 6,332,537
Minimum =$24.1M
Assigned by Management, 1,164,606
Unassigned, 22,837,096
Nonspendable, 638,643
Total Fund Balance $31,251,733



Departmental Spending
90,000,000
80,000,000
70,000,000
60,000,000
50,000,000
40,000,000
30,000,000
20,000,000
10,000,000
-
Dollars
81,914,781
51,255,076
29,538,494
Budget
Current
Prior
Expected
As of February 28, 2023

Council Letter
City of Danville, Virginia

CL - 357 **NEW BUSINESS B.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: Consideration of the Release of Unused Gas Easements on South Boston Road and Kentuck Road.

From: Jason Grey, Director of Utilities

COUNCIL ACTION

1. Public Hearing

2. A Resolution Authorizing the Abandonment of an Unused City Utility Easement Across City Parcels #76416, #76417, #76421, and #78091 in Order to Facilitate Development upon the Same Property.

SUMMARY

City Staff is seeking approval to release an unused gas utility easement affecting four (4) Properties in the City near South Boston Road to help facilitate development on the Properties.

BACKGROUND

The City holds an unused utility easement for gas service that currently affects four (4) properties in the City, identified as Parcel #76416, 1461 South Boston Road, Parcel #76417, 1431 South Boston Road, Parcel #76421, 1425 South Boston Road, and Parcel #78091, 100 Kentuck Road. City Staff have determined that the City has no current or future need for the easement and it appears to be surplus to the needs of the City. City Staff wishes to vacate the easement to assist the owners with the anticipated development upon the affected properties, of a Starbucks.

RECOMMENDATION

City staff recommends proceeding with vacating the easement to enable the development of the Property.

Attachments

1. Resolution
2. Map
3. Easement vacation exhibit
4. Deed - Parcel 76416
5. Deed - Parcel 76421
6. Deed - Parcels 76417 and 78091

PRESENTED:________________________

ADOPTED: __________________________

RESOLUTION NO. 2023-____.____

A RESOLUTION AUTHORIZING THE ABANDONMENT OF AN UNUSED CITY UTILITY EASEMENT ACROSS CITY PARCELS #76416, #76417, #76421, AND #78901 IN ORDER TO FACILITATE DEVELOPMENT UPON THE SAME PROPERTY.

WHEREAS, the City of Danville holds an unused gas easement upon four (4) Parcels of real property located in the City of Danville, Virginia identified as Parcel #76416, #76417, #76421, and #78901 (the “Property”); and

WHEREAS, the City has no future plans to install, maintain, or utilize the existing easement on the Property; and

WHEREAS, the owners of the Property wish for the City to vacate and abandon its unused easement upon the Property to help the with the development property.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Danville, Virginia, that pursuant to Sections 15.2-1800 and 15.2-1813 of the Code of Virginia 1950, as amended, and in consideration of the public hearing this day held by Council, that the City hereby permanently vacates, abandons, and releases the easements across the above-referenced Parcel, said easement identified in the attached Schedule “A”; and

BE IT FURTHER RESOLVED that the City Manager, Kenneth F. Larking, be, and he is hereby, authorized to execute on behalf of the City any and all documents as may be necessary to effect such abandonment of the easement.

APPROVED:

____

Mayor

ATTEST:

____
Clerk

Approved as to
Form and Legal Sufficiency:

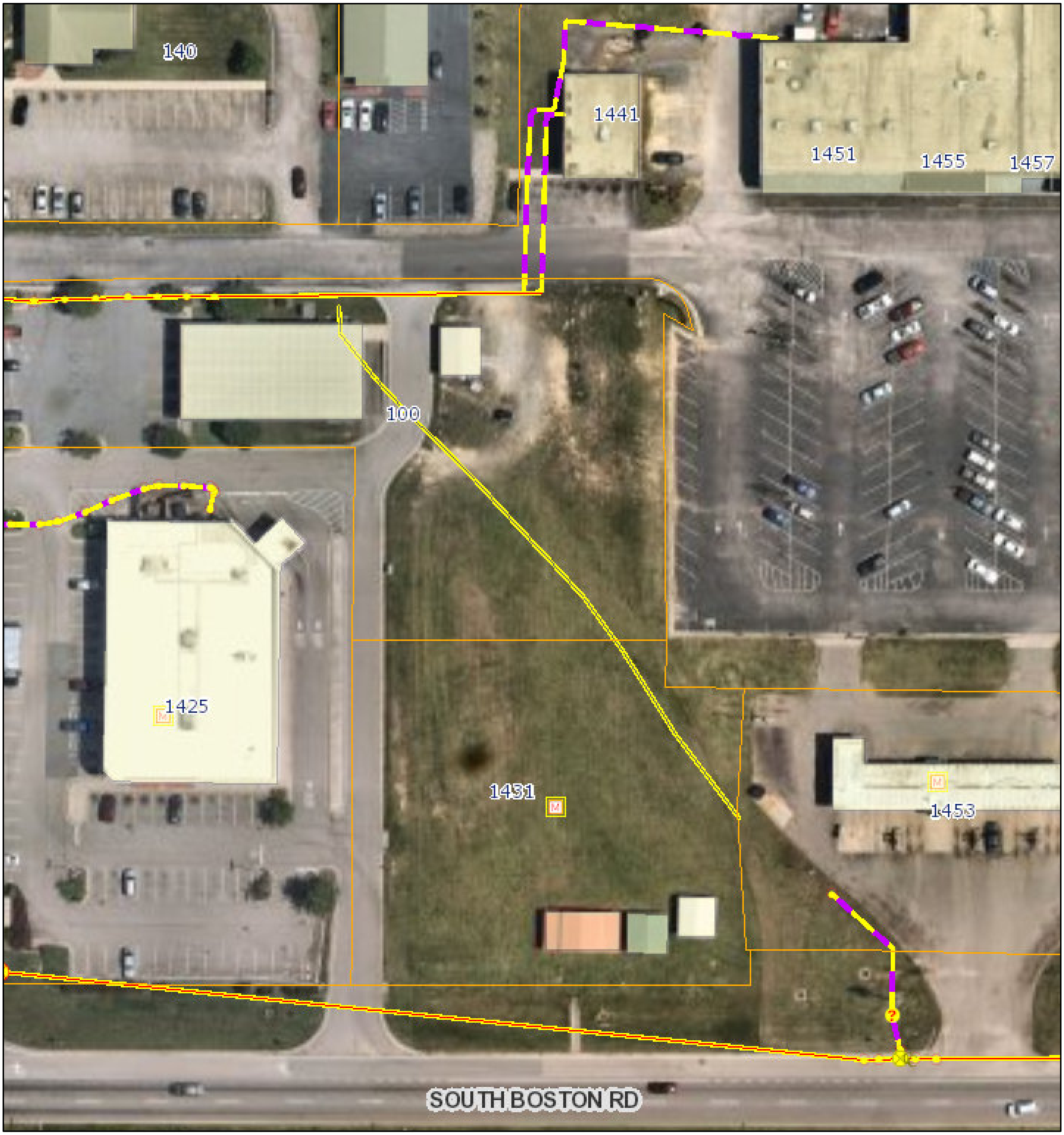
____
City Attorney

<u>Schedule "A"</u>

A permanent easement and right-of-way for gas facilities, consisting of the perpetual right to install, erect, operate, and maintain gas lines and facilities upon, over, and underneath, located in the City of Danville, Virginia upon the Property presently designated as City Parcel #76416, #76417, #76421, and #78901 and presently owned by Cain Creek Shopping Center Associates, Core Cain Creek, LLC, Safari Properties, LLC, an William K. Sterner and Patricia C. Sterner, said easement identified as "Abandoned Gas Service and Easement" on a map entitled Cane Creek Shopping Center Water and Gas Easements, dated May 18, 2007, recorded in the Clerk's Office of the Circuit Court of Danville County, Virginia bas part of Instrument #07-2904, at page 55.

Any other easements, rights of way, or restrictive covenants now of record, or affecting said property, or arising from the above reference recorded documents to the extent that such easement has not been expressly released herein remain unaltered.

ArcGIS Web Map



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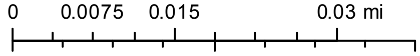


Railroads

Active Track

Abandoned Track

Parks

City Parcels

Non-Exempt

Exempt

City Boundary

House Numbers

Street Names

National Hydrography Dataset

ArtificialPath

Connector

StreamRiver

Emergency Gas Valves

YES

NearMap

ArcGIS Web AppBuilder

07-2904
INSTRUMENT NO.
CITY OF DANVILLE, VA

DEED OF EASEMENT
COMMONWEALTH OF VIRGINIA
CITY OF DANVILLE

This instrument prepared by: Danville Utilities, Water & Gas Division

Project: Cane Creek Shopping Center, Tax Parcels: 78091, 76421,76417 City of Danville.

THIS DEED of easement a, made and entered into this 24th day of May, 2007, by and between William K. Sterner and Patricia C. Sterner herein referred to as "Grantor"; and the CITY OF DANVILLE, VIRGINIA, P.O. Box 3300, Danville, Virginia 24543, a municipal corporation chartered under the laws of the Commonwealth of Virginia, herein referred to as "Grantee":

WITNESSETH:

That for and in consideration of the sum of One Dollar ($1.00) cash in hand paid by Grantee to Grantor, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by Grantor, Grantor does hereby give, grant, bargain, sell and convey in perpetuity unto Grantee, its licensees, agents, successors and assigns, subject to the limitations and reservations herein stated, two easements as shown on Danville Utilities, Water & Gas Division drawing number R-2-672 for the purpose of laying, constructing, inspecting, maintaining, operating, altering, replacing, repairing, abandoning and removing pipelines and other appurtenant facilities, all of which shall remain the property of Grantee, for the transmission/distribution of water and natural gas and all by-products thereof or any liquids, gases, or substances which can be transported through a pipeline over, under, across, and upon the real property hereinafter described as follows:

Parcel Numbers: 76416, 76417 and 78091.

Easement One shall be 10' wide, centered along 2" gas main, from VDOT right-of-way on Kentuck Road at the ingress/regress to the shopping center, 195.25' more or less, and joining the partially overlapping the existing 20' easement book 794, page 130.

Easement Two begins at the southwestern most property line, extending 100' eastward along present VDOT right-of-way on South Boston Road, turning due north to connect to former property – VDOT right-of way per agreement 07-1298, then westward along former VDOT right-of-way on South Boston Road, connecting with VDOT right-of-way on Kentuck Road, then southward along VDOT right-of-way to the southwestern most property line.

The easement and right of way granted herein for the specific location hereinbefore described is in addition to any easement or right of way now in existence or which may be acquired in the future.

Grantor reserves the right to use and enjoy said real property except as may be necessary for the purposes herein granted, provided Grantor shall not locate any trees, rockeries, retaining walls, etc., nor construct or permit to be constructed any building or structure on, over, or within the easement and right of way without first obtaining the written permission of Grantee. At the conclusion of Grantee's operations, Grantee will clean up the right of way in a workmanlike manner and restore the premises as nearly as practicable to the same condition as it was before construction.

The pipelines running within the right of way shall be constructed and maintained at all times by Grantee at its sole cost and expense. Grantee shall be solely responsible for any damages, costs, or other expenses arising from the laying, constructing, inspecting, maintaining, operating, altering, replacing, repairing, abandoning and removing the pipelines.

The failure of Grantee to exercise any rights herein conveyed in any single instance shall not be considered a waiver of such right or rights and shall not bar Grantee from exercising such right or rights, or if necessary, seeking any appropriate remedy in conjunction with such right or rights.

Grantor warrants that it is seized of good and marketable title to the property subject to this easement and right of way and has the full power and authority to enter into and execute this Deed of Easement.

This easement and right of way shall run with the land and shall be binding upon the Grantor and Grantee, as well as their heirs, executors, administrators, successors and assigns.

In addition, according to **Danville Utilities, Water & Gas Division drawing number R-2-672,** the two shaded portions, representing where gas facilities have been abandoned, and the return of the easement to original condition, as obtained by Deed of Easement dated November 9, 1988 between C.R. Pointer, Thomas D. Winstead, Lacy Winstead, Grantors and the City of Danville Grantee, Agreement of April 28, 1988 between Cain Creek Shopping Center and Associates and JTWM Development, Deed of Easement dated August, 16, 1988 between Cain Creek Shopping Center Associates, Grantor and City of Danville Grantee, Deed of Easement dated August 11, 1988 between Cain Creek Development Company and City of Danville, and Deed of Easement dated September 1, 1988 between Cain Creek Shopping Center Associates and City of Danville, is hereby abandoned.

Any non-shaded portions of easement s are hereby retained.

WITNESS the following signature(s) and seal(s).

William K [signature] (SEAL) ______________________ (SEAL)
(Name), Grantor (Name), Grantor

Patricia C. [signature] (SEAL) ______________________ (SEAL)
(Name), Grantor (Name), Grantor

__________________________ (SEAL) __________________________ (SEAL)
(Name), Grantor (Name), Grantor

COMMONWEALTH OF VIRGINIA

CITY/~~COUNTY~~ OF Danville, to wit:

The foregoing instrument was acknowledged before me this 24th day of May 20 07, by William and Patricia Sterner.

Tiffany A. Harris
Notary Public

My Commission expires 30th day of April, 20 08.

PG0055 JUN 12 5

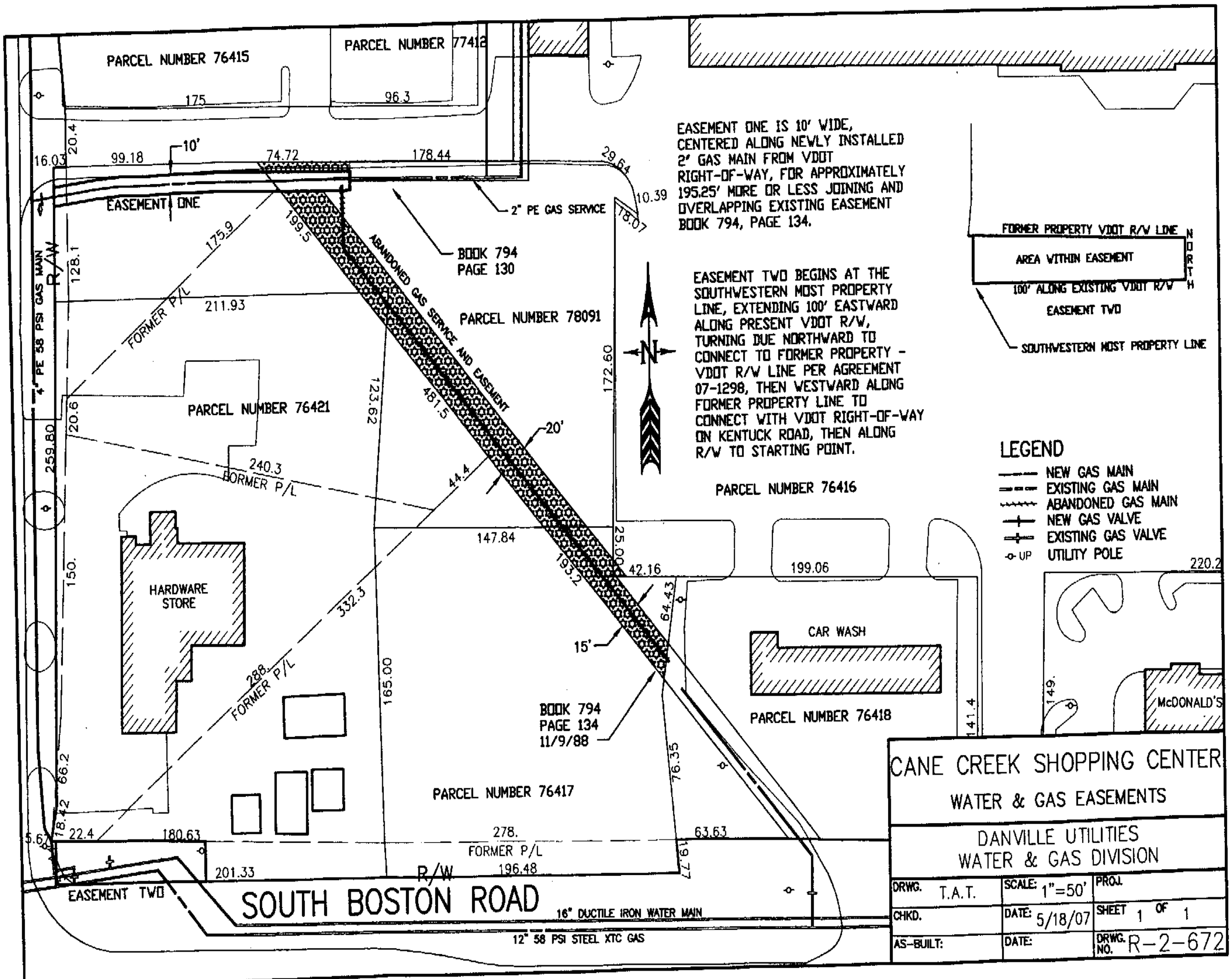
State Tax	039	
City Tax	214	
Transfer	212	
Grantor Tax	442	5.00
DPF	036	
OPF	035	1.00
Clerk	301	14.50
VSLF	145	1.50
TFF	106	5.00
Total	$	22.00

VIRGINIA: CLERK'S OFFICE OF THE CIRCUIT COURT OF CITY OF DANVILLE

The foregoing instrument with acknowledgement was admitted to record on June 12 2007, at 3:43 P M.

TESTE: GERALD A. GIBSON, CLERK

Given/Mailed to: City



Tax PIN #s 76416

This deed is exempt from Grantor's tax pursuant to Va. Code § 58.1-810(1), and from Grantee's tax pursuant to Va. Code § 58.1-810(1).

THIS **DEED OF VACATION** made this the _____ day of _______________, 2023, by and between the **CITY OF DANVILLE, VIRGINIA a municipal corporation of the Commonwealth of Virginia**, **GRANTOR**, and **CAIN CREEK SHOPPING CENTER ASSOCIATES, a Virginia stock corporation, and CORE CAIN CREEK, LLC, a Virginia limited liability company, GRANTEES**,

W I T N E S S E T H:

WHEREAS, Grantor holds a certain easement across a certain parcel of real property located in the City of Danville, Virginia, identified as 1461 South Boston Road, Parcel #76416 (the "Property"), such easement identified as "Abandoned Gas Service and Easement" on a map entitled Cane Creek Shopping Center Water and Gas Easements, dated May 18, 2007, recorded in the Clerk's Office of the Circuit Court of Danville County, Virginia as part of Instrument #07-2904, at page 55 (the "Easement"); and

WHEREAS, Grantor no longer has any intended need for the Easement and desires to vacate the Easement in order to assist in the productive development of the Property; and

WHEREAS, Grantee is the owner of the Property and is desiring that the City vacate the Easement in order to facilitate development on the Property;

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Grantor does hereby vacate, release, and quitclaim unto Grantee the Easement.

Any other easements, rights of way, or restrictive covenants now of record or affecting said property remain unaltered.

This conveyance having been authorized by the City Council of the City of Danville, Virginia by Ordinance No. 2023-________, adopted on _____________________, 2023, pursuant to a public hearing held in accordance with Va. Code § 15.2-1800.

(*Remainder of page intentionally left blank*)

WITNESS the following signatures and seals:

THE CITY OF DANVILLE, VIRGINIA,
a municipal corporation of the
Commonwealth of Virginia

BY: ______________________________________
KENNETH F. LARKING
City Manager

STATE OF VIRGINIA
CITY OF DANVILLE, to-wit:

The foregoing Deed was acknowledged before me this the _____ day of ____________________, 202__, by **Kenneth F. Larking**, acting in his capacity as **City Manager**, on behalf of the City of Danville, Virginia.

BY: ______________________________________
NOTARY PUBLIC

My commission expires: ______________________

Notary registration number: ______________________

APPROVED AS TO FORM:

BY: ______________________________________
C. RYAN DODSON
Assistant City Attorney
VSB # 90680

Tax PIN #s 76421

This deed is exempt from Grantor's tax pursuant to Va. Code § 58.1-810(1), and from Grantee's tax pursuant to Va. Code § 58.1-810(1).

THIS **DEED OF VACATION** made this the **_____** day of **_______________**, 2023, by and between the **CITY OF DANVILLE, VIRGINIA a municipal corporation of the Commonwealth of Virginia**, **GRANTOR**, and **SAFARI PROPERTIES, LLC, a limited liability company, GRANTEES**,

W I T N E S S E T H:

WHEREAS, Grantor holds a certain easement across a certain parcel of real property located in the City of Danville, Virginia, identified as 1425 South Boston Road, Parcel #76421 (the "Property"), such easement identified as "Abandoned Gas Service and Easement" on a map entitled Cane Creek Shopping Center Water and Gas Easements, dated May 18, 2007, recorded in the Clerk's Office of the Circuit Court of Danville County, Virginia as part of Instrument #07-2904, at page 55 (the "Easement"); and

WHEREAS, Grantor no longer has any intended need for the Easement and desires to vacate the Easement in order to assist in the productive development of the Property; and

WHEREAS, Grantee is the owner of the Property and is desiring that the City vacate the Easement in order to facilitate development on the Property;

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Grantor does hereby vacate, release, and quitclaim unto Grantee the Easement.

Any other easements, rights of way, or restrictive covenants now of record or affecting said property remain unaltered.

This conveyance having been authorized by the City Council of the City of Danville, Virginia by Ordinance No. 2023-________, adopted on _______________________, 2023, pursuant to a public hearing held in accordance with Va. Code § 15.2-1800.

(*Remainder of page intentionally left blank*)

WITNESS the following signatures and seals:

THE CITY OF DANVILLE, VIRGINIA,
a municipal corporation of the
Commonwealth of Virginia

BY: ______________________________________
KENNETH F. LARKING
City Manager

STATE OF VIRGINIA
CITY OF DANVILLE, to-wit:

The foregoing Deed was acknowledged before me this the _____ day of ____________________, 202__, by **Kenneth F. Larking**, acting in his capacity as **City Manager**, on behalf of the City of Danville, Virginia.

BY: ______________________________________
NOTARY PUBLIC

My commission expires: ______________________

Notary registration number: ______________________

APPROVED AS TO FORM:

BY: ______________________________________
C. RYAN DODSON
Assistant City Attorney
VSB # 90680

Tax PIN #s 76417 &78091

This deed is exempt from Grantor's tax pursuant to Va. Code § 58.1-810(1), and from Grantee's tax pursuant to Va. Code § 58.1-810(1).

THIS **DEED OF VACATION** made this the _____ day of _______________, 2023, by and between the **CITY OF DANVILLE, VIRGINIA a municipal corporation of the Commonwealth of Virginia**, **GRANTOR**, and **WILLIAM K. STERNER and PATRICIA C. STERNER, GRANTEES**,

W I T N E S S E T H:

WHEREAS, Grantor holds a certain easement across two (2) certain parcels of real property located in the City of Danville, Virginia, identified as 1431 South Boston Road, Parcel #76417 and 100 Kentuck Road, Parcel #78091 (the "Property"), such easement identified as "Abandoned Gas Service and Easement" on a map entitled Cane Creek Shopping Center Water and Gas Easements, dated May 18, 2007, recorded in the Clerk's Office of the Circuit Court of Danville County, Virginia as part of Instrument #07-2904, at page 55 (the "Easement"); and

WHEREAS, Grantor no longer has any intended need for the Easement and desires to vacate the Easement in order to assist in the productive development of the Property; and

WHEREAS, Grantee is the owner of the Property and is desiring that the City vacate the Easement in order to facilitate development on the Property;

NOW THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Grantor does hereby vacate, release, and quitclaim unto Grantee the Easement.

Any other easements, rights of way, or restrictive covenants now of record or affecting said property remain unaltered.

This conveyance having been authorized by the City Council of the City of Danville, Virginia by Ordinance No. 2023-________, adopted on ____________________, 2023, pursuant to a public hearing held in accordance with Va. Code § 15.2-1800.

(*Remainder of page intentionally left blank*)

WITNESS the following signatures and seals:

THE CITY OF DANVILLE, VIRGINIA,
a municipal corporation of the
Commonwealth of Virginia

BY: ______________________________________
KENNETH F. LARKING
City Manager

STATE OF VIRGINIA
CITY OF DANVILLE, to-wit:

The foregoing Deed was acknowledged before me this the _____ day of

____________________, 202__, by **Kenneth F. Larking**, acting in his capacity as **City Manager**, on behalf of the City of Danville, Virginia.

BY: ______________________________________
NOTARY PUBLIC

My commission expires: ______________________

Notary registration number: ______________________

APPROVED AS TO FORM:

BY: ______________________________________
C. RYAN DODSON
Assistant City Attorney
VSB # 90680

Council Letter
City of Danville, Virginia

CL - 368 **NEW BUSINESS C.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: City Code Change - Elderly and Disabled Real Estat

From: Michael Adkins, Chief Financial Officer

COUNCIL ACTION

1. Public Hearing

2. An Ordinance Amending Article Iv, Entitled “Real Estate and Mobile Home Tax Exemption and Deferral for Certain Elderly and Disabled Persons,” of Chapter 37, Entitled “Taxation,” of the Danville City Code to Allow for Revisions to the Real Estate Exemption and Deferral Program. **FIRST READING**

SUMMARY

This ordinance will change Danville City Code Sections 37-62 and 37-66 with regard to the City's Elderly and Disabled Real Estate Tax Exemption Program. The maximum allowed income will be increased from $30,000 to $35,000, allowing increased participation in the exemption program. In addition, the option for qualified applicants to defer real estate tax will be replaced with an exemption of tax.

BACKGROUND

Danville City Code Sections 37-62 and 37-66 provide for the exemption or deferral of real estate taxes for qualifying elderly or disabled citizens. Currently, those who are at least 65 years old and have household income of $30,000 or less qualify for this program. An exemption of 100% of real estate taxes is granted to those with income of $15,000 or less and 50% exemption to those with income between $15,001 and $30,000. The original income limit for this program was $20,000 and had not been adjusted since its inception several decades ago. Beginning with fiscal year 2023, the income limit was increased to $30,000 with the intention of considering additional increases in future fiscal years, depending upon the budgetary impact of the initial increase. The income increase from $20,000 to $30,000 resulted in the addition of 32 qualifying taxpayers, at a cost of less than $17,000. Staff now suggests increasing the income limit from $30,000 to $35,000 and observing the budgetary impact over the next two to three years.

RECOMMENDATION

Staff recommends adoption of the attached ordinance to incorporate the suggested changes to the City's tax exemption program for the elderly and/or the permanently and totally disabled.

Attachments

PRESENTED: ____________________

ADOPTED: ______________________

ORDINANCE NO. 2023 -____.____

AN ORDINANCE AMENDING ARTICLE IV, ENTITLED "REAL ESTATE AND MOBILE HOME TAX EXEMPTION AND DEFERRAL FOR CERTAIN ELDERLY AND DISABLED PERSONS," OF CHAPTER 37, ENTITLED "TAXATION," OF THE DANVILLE CITY CODE TO ALLOW FOR REVISIONS TO THE REAL ESATE EXEMPTION AND DEFERRAL PROGRAM.

NOW THEREFORE, BE IT ORDAINED, by the Council of the City of Danville, Virginia, that Article IV, entitled "Real Estate and Mobile Home Tax Exemption and Deferral for Certain Elderly and Disabled Persons," of Chapter 37, entitled "Taxation," of the Code of the City of Danville, Virginia 1986 as amended, be, and the same is hereby, amended and reordained to read as follows:

Chapter 37. TAXATION

Article IV. Real Estate and Mobile Home Tax Exemption and Deferral for Certain Elderly and Disabled Persons

Sec. 37-62. General restrictions, conditions and qualifications.

(a) The exemption and deferral provided by this article shall be subject to the following restrictions, conditions, and qualifications:

(1) That the title to the property for which such exemption and/or deferral is claimed must, on the thirtieth day of June immediately preceding the tax year for which the exemption and/or deferral is claimed, be owned or partially owned by the person or persons claiming the exemption and/or deferral.

(2) That the property for which the exemption and/or deferral is claimed must be occupied as the sole dwelling of the person or persons claiming the exemption and/or deferral.

(3) That the person or persons, claiming the exemption and/or deferral must, on the thirtieth day of June immediately preceding the tax year for which the exemption and/or deferral is claimed, be sixty-five (65) years of age or older, or be permanently and totally disabled.

(4) That the total income during the calendar year immediately preceding the tax year for which the exemption and/or deferral is claimed, from all sources of the owners of the dwelling living therein and of the owners' relative living in the dwelling for which tax relief as set forth under this article is claimed does not exceed ~~thirty~~ forty thousand dollars (\$~~3~~40,000.00); provided that the first four thousand dollars (\$4,000.00) of

income of such relative, other than a spouse, who is living in the dwelling shall not be included in such total income. An owner who is permanently and totally disabled shall deduct an additional seven thousand five hundred dollars ($7,500.00) from their total income for a total of ~~thirty~~ forty-seven thousand five hundred dollars ($47,500.00).

(5) That the combined financial worth, including equitable interests of all owners of the dwelling for which the exemption is claimed, and of the spouse of each such owner, does not exceed fifty thousand dollars ($50,000.00) as of the thirty-first day of December next preceding the tax year for which the exemption and/or deferral is claimed excluding:

a. The value of the dwelling and the land, not exceeding one (1) acre, upon which it is situated.
b. The value of furnishings, including furniture, household appliances and other items typically used in a home.

(6) That a dwelling jointly owned by a husband and wife may qualify if either spouse is over sixty-five (65) years of age or is permanently and totally disabled.

(b) The fact that persons who are otherwise qualified for the exemption and/or deferral provided for in this article are residing in hospitals, nursing homes, convalescent homes or other facilities for physical or mental care for extended periods of time shall not be construed to mean that the property for which the tax exemption and/or deferral is claimed does not continue to be the sole dwelling of such persons during such extended periods of other residence, so long as such property is not used by or leased to others for consideration.

Sec. 37-66. Amount of exemption and/or deferral.

(a) The tax exemption and/or deferral determined by the total income of those applicants who meet the combined financial worth standard of fifty thousand dollars ($50,000.00) or less shall be determined as shown on the following schedule:

	Combined Financial Worth
Total Income	50,000 or less
0—20~~15~~,000	100% exemption
20~~15~~,001—4~~3~~0,000	50% exemption

The maximum annual exemption and/or deferral on any one (1) property shall be seven hundred dollars ($700.00).

(b) Such exemption and/or deferral shall be determined and credited only to the tax liability of the person or persons claiming and otherwise qualified for the exemption and/or deferral and for only the property and tax year for which the exemption and/or deferral is claimed and any deferral shall continue to constitute a lien on the dwelling.

AND BE IT FURTHER ORDAINED, that all other provisions and Sections of said Article, Chapter, and Code be, and the same are hereby, continued in full force and effect unless and until the same are hereafter amended or repealed.

APPROVED:

____
Mayor

ATTEST:

____
City Clerk

APPROVED AS TO
FORM AND LEGAL SUFFICIENCY:

____
City Attorney

Council Letter
City of Danville, Virginia

CL - 364 **NEW BUSINESS D.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: Consideration of a Resolution to Issue Revenue Bonds for Electric and Water Infrastructure.

From: Michael Adkins, Chief Financial Officer

COUNCIL ACTION

Resolution Providing for the Issuance and Sale by the City of Danville, Virginia, of a Taxable Utility System Revenue Bond, Series 2023, in a Principal Amount not to Exceed $7,500,000, Heretofore Authorized, and Providing for the Form, Details and Payment of Such Bond.

SUMMARY

The Utility Department has requested funding for the purchase of electric transformers ($3 million) and materials for water distribution infrastructure ($4 million). This funding can be achieved with the issuance of revenue bonds in the amount of $7 million through the Virginia Resource Authority.

BACKGROUND

Ongoing supply chain issues have created significant lead times when purchasing utility infrastructure materials. Currently, the time for receiving electric transformers exceeds one year from the point of order. Costs also continue to increase with the passage of time and have more than tripled in the last two years. For these reasons, the utility department desires to place orders now for pad-mounted and pole-mounted transformers. This will enable Danville Utilities to maintain a reserve of equipment for emergencies, as well as successfully serve the needs of new commercial customers such as Tyson Foods, Caesars Virginia, Aerofarms, and new operations at The Institute for Advanced Learning and Research. In addition, Danville Utilities will be the water provider at the Megasite at Berry Hill. Inflationary impacts have increased the cost of the water tank and pumps that will be needed at this site.

The issuance of revenue bonds for these purposes is an appropriate funding strategy as this recognizes the utility operations revenue as the backing and source of payment for the related debt service.

RECOMMENDATION

Staff recommends City Council approve the following Resolution to allow issuance of revenue bonds to cover the aforementioned uses and related bond issuance costs.

Attachments

1. Resolution

2. Master Trust Agreement
3. First Supplemental Trust Agreement
4. Financing Agreement (Revenue)

PRESENTED: ______________________

ADOPTED: _________________________

RESOLUTION NO. 2023-____.____

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE BY THE CITY OF DANVILLE, VIRGINIA, OF A TAXABLE UTILITY SYSTEM REVENUE BOND, SERIES 2023, IN A PRINCIPAL AMOUNT NOT TO EXCEED $7,500,000, HERETOFORE AUTHORIZED, AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT OF SUCH BOND.

WHEREAS, the Council (the “Council”) of the City of Danville, Virginia (the “City”), desires to establish a master program for financing and refinancing the improvements and extensions to its water, wastewater, electric and gas systems (collectively, the “Systems”) by the issuance of bonds payable from revenues of the Systems; and

WHEREAS, the Council previously adopted an ordinance on September 6, 2022 (the “2022 Ordinance”), authorizing in part, under the provisions of Section 9-7D of the City Charter, the issuance of general obligation and/or revenue bonds in a maximum principal amount of $10,000,000 to finance capital expenditures relating to the City’s water, sewer, gas and electric systems or other specific undertaking or undertakings from which the City may derive a revenue, as more fully described in the 2022 Ordinance; and

WHEREAS, all $10,000,000 principal amount of bonds authorized by the 2022 Ordinance remains authorized but unissued, with the provisions of Section 9-7F of the City Charter permitting the City to utilize the authority under the 2022 Ordinance to issue such bonds until June 30, 2023; and

WHEREAS, using up to $7,500,000 principal authorization of the 2022 Ordinance to finance projects contemplated under the provisions of Section 9-7D of the City Charter, the Council desires to finance capital expenditures relating to the City’s water and electric systems, including, without limitation, distribution infrastructure improvements for the water system and the electric system (collectively, the “2023 Project”); and

WHEREAS, the Council desires to issue a single utility system revenue bond in a principal amount not to exceed $7,500,000 (the “2023 Bond”) to finance the 2023 Project and to pay the costs of issuing the 2023 Bond; and

WHEREAS, the City has applied to the Virginia Resources Authority (“VRA”) for the purchase of the 2023 Bond, and VRA has indicated its willingness to purchase the 2023 Bond from the proceeds of one or more series of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) (collectively, the “VRA Bonds”) in accordance with the terms of (a) an Agreement of Trust (the “Master Trust Agreement”) to be dated as of a date determined by the City Manager, between the City and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Agreement of Trust (the “First Supplement” and, together with the Master Trust Agreement, the “Trust Agreement”) to be dated as of the same date as the Master Trust Agreement between the City and the Trustee, and (b) a Local Bond Sale and Financing Agreement to be dated as of a date specified by VRA (the “Financing Agreement”), between VRA and the City, the forms of which have been made available prior to this meeting; and

WHEREAS, the Financing Agreement shall indicate that the sum of $7,000,000 (plus an amount sufficient to pay related costs of issuance) is the amount of proceeds requested for the 2023 Project from VRA, which amount may be revised at the written request of the City prior to VRA’s bond pricing if approved by VRA (such final amount, the “Proceeds Requested”); and

WHEREAS, VRA has advised the City that VRA’s objective is to pay the City a purchase price for the 2023 Bond (the “Purchase Price Objective”) that in VRA’s judgment reflects its market value taking into consideration the Proceeds Requested and such factors as the purchase price received by VRA for the VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters' discount and other costs incurred by VRA) (collectively, the "VRA Costs") and other market conditions relating to the sale of the VRA Bonds; and

WHEREAS, such factors are expected to result in the City's receiving a purchase price other than the par amount of the 2023 Bond, and, consequently, (a) the principal amount of the 2023 Bond may be greater than or less than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (b) if the maximum authorized principal amount of the 2023 Bond set forth in Section 4 of this Resolution does not exceed the Proceeds Requested by at least the amount of the VRA Costs and any original issue discount, the amount to be paid to the City, given the Purchase Price Objective and market conditions, will be less than the Proceeds Requested; and

WHEREAS, the Financing Agreement will provide that the terms of the 2023 Bond may not exceed the parameters set forth below in Section 4.

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

1. Issuance and Sale of Bond. (a) Pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, and in accordance with the authorizations of the 2022 Ordinance, the Council provides for the issuance and sale of the 2023 Bond in a principal amount not to exceed $7,500,000 to finance the 2023 Project and to pay the related costs of issuing the 2023 Bond. The 2023 Bond shall be delivered to or upon the order of VRA upon VRA's payment of the purchase price set forth in the Financing Agreement and subject to the terms and conditions set forth in the Financing Agreement and the Trust Agreement. Subject to the City Manager's determination of what will be in the City's best interest, the 2023 Bond may be sold to VRA in connection with any sale date of the VRA Bonds occurring prior to June 30, 2023.

(b) The Council determines that the average probable period of usefulness of the 2023 Project is not less than 22 years nor more than 30 years.

2. Authorization of Trust Agreement. The Mayor and the City Manager, either of whom may act, are authorized and directed to execute the Master Trust Agreement and the First Supplement and deliver such documents to the Trustee. The Master Trust Agreement and the First Supplement shall be in substantially the same forms as made available prior to this meeting, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Mayor, whose approval shall be evidenced conclusively by the execution and delivery thereof.

3. Authorization of Financing Agreement. The form of the Financing Agreement made available prior to this meeting is hereby approved. The City Manager (which term shall include the Deputy City Manager for purposes of this Resolution) is authorized to execute and deliver the Financing Agreement in substantially such form, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the City Manager, whose approval shall be evidenced conclusively by the execution and delivery thereof. For purposes of this Resolution, all capitalized terms used but not otherwise defined herein shall have the same meanings as set forth in the Financing Agreement.

4. Bond Details. (a) The 2023 Bond shall be issued as a single, registered bond, shall be designated "Taxable Utility System Revenue Bond, Series 2023," shall be numbered R-1, and shall be dated the date that is 30 days prior to the closing date of the VRA Bonds. The Council authorizes the issuance and sale of the 2023 Bond on such terms as shall be determined by VRA subject to VRA's Purchase Price Objective and the market conditions described in the Recitals hereof; provided, however, that the 2023 Bond (i) shall be issued in a principal amount not to exceed $7,500,000, (ii) shall have a "true" interest cost not to exceed 6.00% (exclusive of "Supplemental Interest" as provided in the Financing Agreement), (iii) shall be sold to VRA at a price that is substantially equal to the Proceeds Requested, (iv) shall be payable in principal installments commencing not later than two years from the issue date of the 2023 Bond and ending not later than December 31, 2043, and (v) shall be subject to prepayment upon the terms set forth in the Financing Agreement and the First Supplement. Subject to the preceding terms, the Council further authorizes the City Manager to accept the final terms presented by VRA, including (x) the final principal amount of the 2023 Bond and (y) the amortization schedule (including the principal installment dates and amounts) for the 2023 Bond.

(b) If the limitation on the maximum principal amount of the 2023 Bond set forth in this Section 4 restricts VRA's ability to generate the Proceeds Requested, taking into account the VRA Costs, the Purchase Price Objective and the market conditions described above, the City Manager is authorized to accept a purchase price for the 2023 Bond at an amount less than the Proceeds Requested. The actions of the City Manager in determining the final terms of the 2023 Bond shall be conclusive, and no further action shall be necessary on the part of the Council.

(c) As set forth in the Financing Agreement, the City agrees to pay such "Supplemental Interest" and other charges as provided therein, including such amounts as may be necessary to maintain or replenish the VRA Reserve. The principal of and premium, if any, and interest on the 2023 Bond shall be payable in lawful money of the United States of America.

(d) The 2023 Bond shall be substantially in the form attached as an exhibit to the First Supplement.

5. Execution and Authentication. The Mayor, the City Treasurer and the City Clerk are hereby authorized and directed to prepare and execute the 2023 Bond pursuant to the

Trust Agreement, to deliver it to the Trustee for authentication and to cause the 2023 Bond so executed and authenticated to be delivered to, or at the direction of, VRA upon payment therefor.

6. **Pledge of Security.** The 2023 Bond shall be a limited obligation of the City, payable solely from the Net Revenues (as defined in the Master Trust Agreement) and certain funds and accounts established pursuant to the Trust Agreement, and nothing in the 2023 Bond or the Trust Agreement shall be deemed to create or constitute a general obligation indebtedness or pledge of the full faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the City.

7. **Arbitrage Covenants.** The City covenants that it shall not take or omit to take any action the taking or omission of which will cause the VRA Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations issued pursuant thereto (the "Code"), or otherwise cause interest on the VRA Bonds to be includable in the gross income for federal income tax purposes of the registered owner thereof under existing law. Without limiting the generality of the foregoing, the City shall comply with any provision of the Tax Compliance Agreement (as hereinafter defined) that may require the City at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the 2023 Bond, unless VRA and the City receive an opinion of nationally recognized bond counsel that compliance with any such covenant is not required to prevent interest on the VRA Bonds from being included in the gross income for federal income tax purposes of the registered owners thereof under existing law. The City shall pay any such required rebate from legally available funds.

8. **Tax Compliance Agreement.** The Mayor and the City Manager, either of whom may act, together with such other officers of the City as may be requested by VRA, are authorized and directed to execute and deliver a nonarbitrage certificate and tax compliance agreement (the "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. **Private Activity Bond Covenant.** The City covenants that it shall not permit the proceeds of the 2023 Bond or the facilities financed therewith to be used in any manner that would result in (a) 5% or more of such proceeds or such facilities 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 Code, (b) 5% or more of such proceeds or such facilities being used with respect to any output facility (other than a facility for the furnishing of 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 VRA and the City receive an opinion of nationally recognized bond counsel that compliance with any such covenants is not required to prevent the 2023 Bond from becoming a "private activity bond" within the meaning of Section 141 of the Code, the City need not comply with such covenants to the extent provided in such opinion.

10. **SNAP Investment Authorization.** The Council has previously received and reviewed the Information Statement describing the State Non-Arbitrage Program of the Commonwealth of Virginia ("SNAP") and the Contract Creating the State Non-Arbitrage Program Pool (the "Contract"), and the Council hereby authorizes the Director of Finance in his discretion to use SNAP in connection with the investment of the proceeds of the 2023

Bond. The Council acknowledges that the Treasury Board of the Commonwealth of Virginia is not, and shall not be, in any way liable to the City in connection with SNAP, except as otherwise provided in the Contract.

11. Official Statement. The City authorizes and consents to the inclusion of information with respect to the City contained in VRA's Official Statement (in its preliminary and final forms) prepared in connection with the sale of the VRA Bonds. The City Manager is authorized and directed to take whatever actions are necessary or appropriate to aid VRA in ensuring compliance with Securities and Exchange Commission Rule 15c2-12.

12. Other Actions. All other actions of officers of the City in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the 2023 Bond are hereby ratified, approved and confirmed. The officers of the City are authorized and directed to execute and deliver all certificates and instruments and to take all such further action as may be considered necessary or desirable in connection with the issuance, sale and delivery of the 2023 Bond pursuant to this Resolution, the Trust Agreement and the Financing Agreement.

13. Repeal of Conflicting Resolutions. All resolutions or parts of resolutions in conflict herewith are repealed.

14. Effective Date. This Resolution shall take effect immediately.

APPROVED:

____
Mayor

ATTEST:

____
City Clerk

Approved as to
Form and Legal Sufficiency:

____
City Attorney

AGREEMENT OF TRUST

between

CITY OF DANVILLE, VIRGINIA

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

Dated as of [______ __, 2023]

Relating to City of Danville, Virginia,
Utility System Revenue Bonds

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THIS AGREEMENT OF TRUST dated as of the first day of [______ __, 2023], by and between the **CITY OF DANVILLE**, a municipal corporation of the Commonwealth of Virginia (the "City"), and **U.S. BANK NATIONAL ASSOCIATION, TRUST COMPANY**, a national banking corporation, as trustee (in such capacity, together with any successor in such capacity, herein called the "Trustee");

W I T N E S S E T H

WHEREAS, pursuant to the powers granted by Article 2, Chapter 21, Title 15.2, Code of Virginia of 1950, as amended, the City owns and operates water, wastewater, electric and gas facilities;

WHEREAS, pursuant to the Public Finance Act of 1991 (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended) and Chapter 9 of the City's Charter, the Council is authorized to contract debts on behalf of the City and to issue, as evidence thereof, bonds, notes or other obligations payable solely from the revenues of the Systems, as hereinafter defined; and

WHEREAS, the City has determined to establish a master program for financing and refinancing improvements and extensions to its Systems by the issuance of bonds payable from revenues of the Systems and other moneys pledged thereto (which may include a pledge of the City's full faith and credit and taxing power);

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. Definitions. The following words as used in this Agreement shall have the following meanings unless a different meaning clearly appears from the context:

"Account" shall mean any of the various accounts created within a fund under this Agreement.

"Agreement" shall mean this Agreement of Trust as supplemented or amended by one or more Supplemental Agreements.

"Annual Budget" shall mean, collectively, the budgets for the Systems as described in Section 601.

"Annual Debt Service" shall mean the amount payable on account of principal of (whether at maturity or by mandatory sinking fund redemption) and interest on any specified Indebtedness within a particular future Fiscal Year (including any supplemental interest payable pursuant to the terms of any such Indebtedness). For purposes of calculating Annual Debt Service, the following assumptions are to be used to calculate the principal and interest coming due in any Fiscal Year:

(a) in determining the principal amount due in each Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization), including any scheduled redemption of such specified Indebtedness on the basis of accreted value and, for such purpose, the redemption payment shall be deemed a principal payment and, further, payment shall be assumed to be made at the time deposits are required to be made to the Revenue Bond Fund, Senior Debt Service Component Fund or Subordinate Debt Fund, as applicable;

(b) if any of the specified Indebtedness constitutes Variable Rate Indebtedness, the interest rate on such Indebtedness shall be assumed to be 120% of the greater of (i) the daily average interest rate on such Indebtedness during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Indebtedness shall have been Outstanding, or (ii) the daily average interest rate on such Indebtedness during the one month preceding the date of calculation;

(c) if any specified Indebtedness proposed to be issued would constitute Variable Rate Indebtedness, then such Indebtedness shall be assumed to bear interest at the rate quoted in the Securities Industry and Financial Markets Association Municipal Swap Index (produced by Municipal Market Data) applicable to comparable obligations for the last week of the month preceding the date of sale of such Indebtedness or if that index is no longer published, a similar index selected by the City that is generally accepted in the municipal bond industry; or if the City fails to select a replacement index, an interest rate equal to 80% (100% if such Indebtedness is intended to have interest thereon be subject to federal income taxation) of the yield for outstanding United States Treasury Bonds having an equivalent maturity as the Indebtedness proposed to be issued, or if there are no such Treasury Bonds having equivalent maturities, 80% (100% if specified Indebtedness is intended to have interest thereon be subject to federal income taxation) of the lowest prevailing prime rate of any of the five largest commercial banks in the United States of America ranked by assets;

(d) if any specified Indebtedness would constitute Balloon Indebtedness, then, for purposes of determining the amount payable on account of principal of and interest on such Indebtedness, the Balloon Payment of such Indebtedness shall be treated as if the principal amount of such Balloon Payment (as defined in the term "Balloon Indebtedness") were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years; and

(e) if moneys, Government Obligations or Government Certificates have been irrevocably deposited with a bank or trust company acting as escrow agent to be used to pay principal of and/or interest on specified Indebtedness, then the principal and/or interest to be paid from such moneys or obligations or from the earnings thereon shall be disregarded and not included in the calculation of Annual Debt Service.

For any specified Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of Annual Debt Service payable on account of principal of and interest on such Indebtedness shall, at the option of the City, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement.

Except for Hedge Agreements, Interest Liability Swaps are to be disregarded in calculating the Series Debt Service Reserve Requirement. Upon incurrence of a Hedge Agreement, all calculations, including for the amount on account of principal of and interest on the Indebtedness subject to the Hedge Agreement, shall be made using the Hedge Fixed Rate for the applicable period, and calculations on such Indebtedness shall not be made pursuant to clause (b) above for such period.

Notwithstanding anything in this Agreement to the contrary, for purposes of the definition of Annual Debt Service, Indebtedness shall not include Bond Anticipation Notes or notes issued in anticipation of revenues of the Systems.

"Authorized City Representative" shall mean the City Manager, the Director of Finance and such person or persons as may be designated to act on behalf of the City by certificate signed by its City Manager and filed with the Trustee.

"Balloon Indebtedness" shall mean indebtedness 25% or more of the principal of which matures on the same date and such amount is not required to be amortized by payment or redemption prior to such date (such amount of 25% or more being known herein as the "Balloon Payment"). If any indebtedness consists partially of Variable Rate Indebtedness and partially of indebtedness bearing interest at a fixed rate, the portion constituting Variable Rate Indebtedness and the portion bearing interest at a fixed rate shall be treated as separate issues for purposes of determining whether any such indebtedness constitutes Balloon Indebtedness.

"Bond Anticipation Notes" shall mean any notes issued in anticipation of the issuance of Bonds.

"Bond Counsel" shall mean an attorney or firm of attorneys nationally recognized on the subject of municipal bonds.

"Bondholder(s)" or "holder(s)" shall mean a registered owner(s) of the Bonds.

"Bonds" shall mean any bonds, notes or other obligations issued from time to time pursuant to ARTICLE III but shall not include Senior Debt Service Components, Subordinate Double Barrel Bonds or Subordinate Debt.

"Business Day" shall mean a day on which banking business is transacted, but not including a Saturday, Sunday or legal holiday, or any other day on which banking institutions are authorized by law to close in the Commonwealth of Virginia.

"Charter" shall mean the Charter of the City, as amended from time to time.

"City" shall mean the City of Danville, a municipal corporation duly created by the General Assembly of Virginia.

"Commonwealth" shall mean the Commonwealth of Virginia.

"Construction Fund" shall mean the Construction Fund established in Section 501.

“Consulting Engineer” shall mean (a) an Independent Consulting Engineer or (b) the City’s Water and Gas Chief Engineer, the City’s Senior Electric Engineer or the corresponding officer of any successor department, provided that such person is (i) an engineer experienced in the field of water, wastewater, electrical or gas engineering and (ii) licensed and registered as a professional engineer in the Commonwealth, provided that any Consulting Engineer may only provide advice and certifications with respect to such System or Systems for which it has the requisite expertise.

“Contracted Services” shall mean services rendered or facilities provided to the City in respect of any of the Systems or for the performance for or on behalf of the City of functions similar to those performed by any of the Systems, for a specific project, projects or systems, pursuant to a contract, whether a financing lease, a service agreement or other arrangement.

“Cost” or “Cost of a Project” shall mean the cost of a Project as set forth in Section 503.

“Cost of Contracted Services” shall mean the payments to be made by the City for Contracted Services, which shall consist of any of the following three elements: (a) a “Debt Service Component” which is that part of the payment for Contracted Services for which the City is obligated to pay, and that the City Manager or the Director of Finance shall have determined in writing, at the time the City commits to receive such Contracted Services, to be for the purpose of paying a fixed charge or the principal of and/or interest on the obligations, directly or indirectly associated with rendering the Contracted Services, of the entity providing the Contracted Services, (b) the “Operating Component” that shall consist of that portion of the payment for the Contracted Services that shall meet the definition of Operating Expenses under this Agreement, and (c) the “Remaining Component” that shall consist of the remaining portion of the payment for Contracted Services for which the City is obligated to pay and which is not embraced in the definition of Debt Service Component or Operating Component.

“Council” shall mean the Council as the governing body of the City.

“Debt Service Component” shall have the meaning ascribed thereto in the definition of “Cost of Contracted Services.”

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established in Section 604 and any Series Debt Service Reserve Account therein.

“Defeased Obligations” shall mean obligations of any state or territory of the United States or any political subdivision thereof which obligations are rated in the highest rating category by the Rating Agencies (without regard to any rating refinement or gradation by numerical modifier or otherwise) and which meet the following requirements: (a) the obligations are not subject to redemption or the fiduciary holding such obligations has been given irrevocable instructions to call such obligations for redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions, (b) the obligations are secured by cash or Government Obligations, Government Certificates or other Defeased Obligations (which are not subject to redemption other than at the option of the holder thereof) that may be applied only to principal, premium and interest payments of such obligations, (c) the principal of and interest on the Government Obligations, Government Certificates or other Defeased Obligations (plus any cash held in escrow) are sufficient to meet the liabilities of the obligations, (d) the Government

Obligations, Government Certificates or other Defeased Obligations serving as security for such obligations are held by a bank or trust company acting as escrow agent, and (e) the Government Obligations, Government Certificates or Defeased Obligations are not available to satisfy any other claims, including those against the bank or trust company acting as escrow agent.

"Event of Default" shall mean any of the events enumerated in Section 1001.

"Fiscal Year" shall mean the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year or such other twelve-month period as may be selected by the City as its fiscal year.

"Fitch" shall mean Fitch Ratings, New York, New York, or its successors.

"Fund" shall mean any of the various funds created under this Agreement.

"General Reserve Fund" shall mean the General Reserve Fund established in Section 604.

"Government Certificates" shall mean certificates representing proportionate ownership of Government Obligations, which Government Obligations are held by a bank or trust company organized under the laws of the United States of America or any of its states in the capacity of custodian of such certificates.

"Government Obligations" shall mean (a) bonds, notes and other direct obligations of the United States of America, (b) securities unconditionally guaranteed as to the timely payment of principal, if applicable, and interest by the United States of America, or (c) bonds, notes and other obligations of any agency of the United States of America unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

"Hedge Agreement" shall mean an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Bonds where (a) interest on such Bonds or such portion of such Bonds is payable at a variable rate for any future period of time or is calculated at a varying rate per year, and (b) a fixed rate is specified as payable by the City in such Hedge Agreement or such Bonds which, taken together with the Hedge Agreement, results in a net fixed rate payable by the City for such period of time (the "Hedge Fixed Rate"), assuming the City and the party(ies) with whom the City has entered into the Hedge Agreement make all payments required to be made by the terms of the Hedge Agreement, provided that no such hedging agreement may be entered into by the City unless any termination or similar payment which may be payable by the City thereunder is expressly subordinated to the obligation of the City on the Bonds.

"Hedge Fixed Rate" shall have the meaning ascribed thereto in the definition of "Hedge Agreement."

"Improvement and Redemption Fund" shall mean the Improvement and Redemption Fund established in Section 604.

"Indebtedness" shall mean, collectively, Senior Debt and Subordinate Debt.

"Independent Consulting Engineer" shall mean any independent engineer or firm of engineers experienced in the field of water, wastewater, electrical or gas engineering and licensed and registered as a professional engineer(s) in the Commonwealth.

"Interest Account" shall mean the Interest Account within the Revenue Bond Fund established in Section 604.

"Interest Liability Swap" shall mean a contract pursuant to which a party (the "Counterparty") has agreed to make payments to the City during a particular period equal to the interest payable on specified Bonds or on a specified notional amount at the actual rate or rates or, if on a notional amount at a stated rate or rates, payable thereon and, in consideration therefor, the City agrees to make payments to the Counterparty equal to the interest required to be paid on the specified Bonds or stated to be due on the notional amount during the period calculated as if the specified Bonds or notional amount bore an assumed rate of interest specified in the contract.

"Investment Obligations" shall mean any of the obligations or securities that are at the time legal investments for public funds under the Investment of Public Funds Act (Chapter 45, Title 2.2 of the Virginia Code) or any successor provisions of law applicable to such investments.

"Moody's" shall mean Moody's Investors Service, Inc., New York, New York, or its successors.

"Net Proceeds" shall mean the gross proceeds from any insurance recovery remaining after payment of attorneys' fees, fees and expenses of the Trustee and all other expenses incurred in collection of such gross proceeds.

"Net Revenues" shall mean Revenues less Operating Expenses.

"Operating Component" shall have the meaning ascribed thereto in the definition of "Cost of Contracted Services."

"Operating Expenses" shall mean all current expenses directly or indirectly attributable to the ownership or operation of any of the Systems, including, without intending to limit or restrict any proper definition of such expenses under any applicable laws or generally accepted accounting principles, reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by any of the Systems, amounts to reimburse the City for administrative expenses incurred in connection with any of the Systems, [costs of purchasing water, costs of purchasing wastewater treatment, costs of purchasing electricity, costs of purchasing gas,] any Operating Component of Costs of Contracted Services, insurance and surety bond premiums (including any deposits into a self-insurance program), legal, engineering, auditing and financial advisory expenses, and expenses and compensation of the Trustee. Operating Expenses shall not include (a) any allowance for depreciation, (b) any deposits or transfers to the Revenue Bond Fund, the Senior Debt Service Component Fund, the Debt Service Reserve Fund, the Subordinate Debt Fund, the Rate Stabilization Fund, the Improvement and Redemption Fund or the General Reserve Fund, or (c) any expenditures for capital improvements to and extensions of any of the Systems.

"Operating Fund" shall mean the Operating Fund established in Section 604.

"Opinion of Counsel" shall mean an opinion of any attorney or firm of attorneys reasonably acceptable to the Trustee, who may be counsel for the City.

"Outstanding" or "Outstanding Bonds" shall mean, at any date, the aggregate of all Bonds authorized, issued, authenticated and delivered under this Agreement, except:

(a) Bonds canceled or surrendered to the Registrar for cancellation;

(b) Bonds deemed to have been paid as provided in Section 901;

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Agreement unless proof satisfactory to the Registrar is presented that any such Bond is held by a bona fide holder; and

(d) Bonds the principal of which has become due and moneys sufficient for their payment have been deposited with the Trustee as provided in Section 209.

In determining whether holders of a requisite aggregate principal amount of the Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under this Agreement, words referring to or connoting "principal of" or "principal amount of" Outstanding Bonds shall be deemed also to be references to, to connote and to include the accreted value of Bonds of any Series as of the immediately preceding interest compounding date for such Bonds. Bonds that are owned by the City shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

In addition, solely for the purpose of Section 304, no Bonds shall be deemed Outstanding for any time for which the Trustee holds in escrow for the benefit of Bondholders (i) cash in an amount sufficient to pay when due the installments of principal of and premium, if any, and the interest on such Bonds, (ii) noncallable Government Obligations the principal of and interest on which will be sufficient to pay when due the installments of principal of and premium, if any, and the interest on such Bonds, (iii) to the extent permitted by the laws of the Commonwealth, Government Certificates and/or Defeased Obligations meeting the requirements set forth in (ii), or (iv) any combination of (i) through (iii).

"Principal Account" shall mean the Principal Account in the Revenue Bond Fund established pursuant to Section 604.

"Project" shall mean the acquisition, construction or equipping of any water, wastewater, electric or gas facilities, structures or buildings that are to become part of the applicable System, including any improvements, extensions, additions, replacements, equipment and appurtenances to or for the benefit of the applicable System, and (b) any water or wastewater treatment or electric or gas capacity or service (which service is required to be capitalized or which the City could properly elect to capitalize if it were a federal taxpayer) which is to be acquired by the City and which capacity or service is to become part of the applicable System.

"Public Finance Act" shall mean the Public Finance Act of 1991 (Chapter 26, Title 15.2 of the Virginia Code), as amended from time to time, including any successor provision.

"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 or any Supplemental Agreement in which such requirement appears, including without limitation an Independent Consulting Engineer and an independent certified public accountant or firm of independent certified public accountants.

"Rate Stabilization Fund" shall mean the Rate Stabilization Fund established in Section 604.

"Rate Stabilization Requirement" shall mean such amount as may be established from time to time by the City pursuant to Section 611. If no such amount is established, the Rate Stabilization Requirement shall be zero dollars ($0).

"Rating Agency" or "Rating Agencies" shall mean Fitch, Moody's or S&P, or any of them, and their successors and assigns. The City may appoint any nationally recognized securities rating agency in addition to or as a replacement for Fitch, Moody's or S&P.

"Registrar" shall mean the paying agent and bond registrar for any Series of Bonds as provided in a Supplemental Agreement.

"Remaining Component" shall have the meaning ascribed thereto in the definition of "Cost of Contracted Services."

"Revenue Bond Fund" shall mean the Revenue Bond Fund established in Section 604.

"Revenue Fund" shall mean the Revenue Fund established in Section 604.

"Revenues" shall mean (a) all moneys received as fees, rates, charges, income and money properly allocable to any of the Systems in accordance with generally accepted accounting principles or resulting from the ownership or operation by the City of the Systems, (b) the proceeds of any insurance covering business interruption loss relating to any of the Systems, (c) interest on any money or securities related to any of the Systems held by or on behalf of the City, (d) any other money from other sources pledged by the City to the payment of its obligations hereunder, (e) any interest subsidy or reimbursement payments received from the United States Treasury on account of any Indebtedness that was issued as "build America bonds," "recovery zone economic development bonds," or similar categories of tax-advantaged bonds and (f) transfers, if any, from the Rate Stabilization Fund. Notwithstanding the preceding sentence, Revenues shall not include (i) customer deposits, (ii) any transfers from the Revenue Fund to the Rate Stabilization Fund or (iii) any fees collected by the City in its capacity as an agent for another party or parties; and further, Revenues shall be reduced by the amount of any transfer from the Improvement and Redemption Fund or the General Reserve Fund to the Rate Stabilization Fund in the year such transfer is made.

"Senior Debt" shall mean, collectively, the Bonds and any Senior Debt Service Component of the Cost of Contracted Services.

"Senior Debt Service Component" shall mean any Debt Service Component of the Cost of Contracted Services that the City is required, or has elected, to treat as payable on a parity with the

Bonds with respect to the pledge of Revenues, as evidenced in a writing signed by the City Manager or the Director of Finance at the time the City commits to receive such Contracted Services.

"Senior Debt Service Component Fund" shall mean the Senior Debt Service Component Fund established pursuant to Section 604.

"Series" or "Series of Bonds" shall mean a separate series of Bonds issued under this Agreement and a Supplemental Agreement.

"Series Debt Service Reserve Requirement" for any Series of Bonds shall have the meaning set forth in the Supplemental Agreement authorizing such Series of Bonds.

"S&P Global Ratings" shall mean S&P Global Ratings, a business of Standard & Poor's Financial Services, LLC, New York, New York, or its successors.

"Subordinate Debt" shall mean any bonds, notes or other obligations issued in connection with the Systems that have pledged to their payment Revenues on a junior lien basis after the pledge of Revenues to Senior Debt. Subordinate Debt may also include, at the option of the City, (a) Subordinate Double Barrel Bonds, (b) any Subordinate Debt Service Component and any Remaining Component of the Cost of Contracted Services, (c) any obligation of the City to pay the fees of and to reimburse the provider of a credit facility and (d) any obligation of the City to make a termination or similar payment payable under the terms of a Hedge Agreement.

"Subordinate Debt Fund" shall mean the Subordinate Debt Fund established pursuant to Section 604.

"Subordinate Debt Service Component" shall mean any Debt Service Component of the Cost of Contracted Services that the City is required, or has elected, to treat as payable on a junior lien basis to Senior Debt with respect to the pledge of Revenues, as evidenced in a writing signed by the City Manager or the Director of Finance at the time the City commits to receive such Contracted Services.

"Subordinate Double Barrel Bonds" shall mean any bonds, notes or other obligations issued by the City that have pledged to their payment (a) Revenues as a junior lien pledge after the pledge of such Revenues to the Senior Debt and (b) the full faith, credit and taxing power of the City.

"Supplemental Agreement" shall mean any Supplemental Agreement of Trust supplementing or modifying the provisions of this Agreement entered into by the City and the Trustee pursuant to Section 1201 or Section 1202.

"Systems" shall mean, collectively, all plants, facilities, equipment or property owned, operated or maintained by or on behalf of the City from time to time, together with all future extensions, improvements, enlargements and additions thereto, and all replacements thereof, used in connection with (a) the supply, treatment, storage or distribution of water, (b) the collection, treatment or disposal of wastewater (which, for purposes of this Agreement, refers to all of the used water supply in the City, including without limitation water that has been used in homes, in a business or as part of an industrial process), (c) the generation, transmission or distribution of electricity or (d) the storage and distribution of natural gas. All such plants, facilities, equipment and property that are used in connection with one of the purposes identified in (a) through (d) of the preceding sentence shall be referred to as a "System."

"Term Bonds" shall mean any Bonds stated to mature on a specified date and required to be redeemed in part prior to maturity according to a sinking fund schedule.

"Treasurer" shall mean the person serving as the Treasurer of the City.

"Trustee" shall mean U.S. Bank Trust Company, National Association, or its successors and assigns serving as such hereunder.

"Variable Rate Indebtedness" shall mean any indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate to the maturity of such indebtedness.

"Virginia Code" means the Code of Virginia of 1950, as amended.

Section 102. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Words importing the redemption or calling for redemption of Bonds shall not be deemed to refer to or connote the payment of Bonds at their stated maturity.

(c) Unless otherwise indicated, all references herein to particular articles or sections are references to articles or sections of this Agreement.

(d) The headings and Table of Contents herein are solely for convenience of reference and shall neither constitute a part of this Agreement nor affect its meanings, construction or effect.

(e) All references herein to the payment of Bonds are references to payment of principal of and premium, if any, and interest on Bonds.

ARTICLE II

EXECUTION, AUTHENTICATION, REGISTRATION AND FORM OF BONDS

Section 201. Form and Details of Bonds. The form, details and terms of each Series of Bonds and such other matters as the Council may deem appropriate shall be set forth in the Supplemental Agreement authorizing such Series of Bonds. The principal of and premium, if any, and interest on each Series of Bonds shall be payable at such place or places and in such manner as set forth in the Supplemental Agreement authorizing such Series of Bonds. The principal of and premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America.

Section 202. Execution of Bonds. Unless otherwise provided in the applicable Supplemental Agreement, the Bonds shall be signed by the manual or facsimile signature of the Mayor of the City and the Treasurer, and the City's seal shall be affixed thereto or a facsimile of its seal shall be printed thereon and attested by the manual or facsimile signature of the City Clerk. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. Any Bond may bear the facsimile signature of, or may be signed by, the persons who at the actual time of the execution thereof are the proper officers to sign such Bond although at the date of such Bond the persons may not have been such officers.

Section 203. Authentication of Bonds. Unless otherwise provided in the applicable Supplemental Agreement, the Bonds shall bear a certificate of authentication and shall not be valid until the Trustee shall have duly executed the certificate of authentication and inserted the date of authentication thereon. The Trustee shall authenticate each Bond with the signature of an authorized officer or employee, but it shall not be necessary for the same person to authenticate all of the Bonds. Only such authenticated Bonds shall be entitled to any right or benefit under this Agreement, and such certificate on any Bond issued hereunder shall be conclusive evidence that the Bond has been duly issued and is secured by the provisions hereof.

Section 204. Registration and Exchange of Bonds; Persons Treated as Owners. The Registrar shall maintain registration books for the registration and exchange of Bonds. Upon surrender of any Bonds at the corporate trust office of the Registrar, together with an assignment duly executed by the registered owner or such registered owner's duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, such Bond may be exchanged for an equal aggregate principal amount of Bonds, in authorized denominations, of the same Series, form and maturity, bearing interest at the same rate as the Bonds surrendered, and registered in the name or names as requested by the then registered owner thereof or such registered owner's duly authorized attorney or legal representative. The City shall cause to be executed, and the Trustee shall authenticate, any Bonds necessary to provide for exchange of Bonds pursuant to this Section.

The Trustee shall treat the registered owner as the person exclusively entitled to payment of principal of and premium, if any, and interest on the Bonds and the exercise of all other rights and powers of the owner of the Bonds, except that, unless otherwise provided in the applicable Supplemental Agreement, interest payments shall be made to the person shown as owner on the fifteenth day of the month preceding each interest payment date.

Section 205. Charges for Exchange of Bonds. Any exchange of Bonds shall be at the expense of the City, except that the Trustee may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

Section 206. Temporary Bonds. Prior to the preparation of Bonds in definitive form the City may issue temporary Bonds in registered form and in such denominations as the City may determine, but otherwise in substantially the form set forth in the applicable Supplemental

Agreement, with appropriate variations, omissions and insertions. The City shall promptly cause the preparation, execution and delivery to the Trustee before the first interest payment date of Bonds in definitive form, and upon surrender of Bonds in temporary form, the Trustee shall authenticate and deliver in exchange therefor Bonds in definitive form of the same maturity having an equal aggregate principal amount. Until exchanged for Bonds in definitive form, Bonds in temporary form shall be entitled to the lien and benefit of this Agreement.

Section 207. Mutilated, Lost or Destroyed Bonds. If any Bond has been mutilated, lost or destroyed, the City shall cause to be executed and sealed, and the Trustee shall authenticate and deliver, a new Bond of like date, number and tenor in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond; provided, however, that the City and the Trustee shall so execute, seal, authenticate and deliver only if the holder has paid the reasonable expenses and charges of the City and the Trustee in connection therewith and, in the case of a lost or destroyed Bond (a) has filed with the Treasurer and the Trustee evidence satisfactory to them that such Bond was lost or destroyed and of its ownership thereof, and (b) has furnished to the Treasurer and the Trustee indemnity satisfactory to them. If any such Bond has matured, instead of issuing a new Bond the Trustee may pay the same without surrender thereof upon receipt of the evidence and indemnity described above.

Section 208. Cancellation and Disposition of Bonds. All Bonds that have been surrendered for transfer or exchange pursuant to Section 204, paid (whether at maturity, by sinking fund redemption, acceleration or call for redemption or otherwise), purchased pursuant to Section 607 or Section 611, or delivered to the Trustee by the City for cancellation shall not be reissued, and the Trustee shall, unless otherwise directed by the City, cremate, shred or otherwise dispose of such Bonds. The Trustee shall deliver to the City a certificate of any such payment and cremation, shredding or other disposition conforming to the requirements of Virginia Code Section 15.2-2622 or any successor provision of law.

Section 209. Non-Presentment of Bonds. (a) If any Bond is not presented for payment when the principal thereof becomes due (whether at maturity, by sinking fund redemption, upon call for redemption or otherwise), all liability of the City to the holder thereof for the payment of such Bond shall be completely discharged if moneys sufficient to pay such Bond and the interest due thereon shall be held by the Trustee for the benefit of such holder, and thereupon it shall be the duty of the Trustee to hold such moneys subject to subsection (b) below, without liability for interest thereon, for the benefit of such holder, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on such holder's part under this Agreement or on, or with respect to, such Bond.

(b) Notwithstanding anything in this Agreement to the contrary, if the Trustee is then acting as escrow agent for the payment of the principal of and premium, if any, and interest on any Series of Bonds, any cash, Government Obligations or, if permitted by the laws of the Commonwealth, Government Certificates or Defeased Obligations deposited with the Trustee for the payment of the principal of and premium, if any, and interest on any Series of Bonds remaining unclaimed for more than one year after the principal of all such Series of Bonds has become due and payable shall be paid to the City and shall be held by the City in a separate account. The City shall hold such funds in accordance with the requirements of Section 15.2-2603 of the Virginia Code, or any successor provision of law. After such moneys have been paid to the City, the holders of such Bonds shall be entitled to look only to the City, and all liability of the Trustee with respect to such amounts shall cease.

ARTICLE III

ISSUANCE OF INDEBTEDNESS

Section 301. Purposes of Bonds. Bonds may be issued (a) to pay the Cost of a Project, (b) to refund any bonds (which for purposes of this Section and Section 304(i) and Section 306 shall include bonds, notes or other forms of indebtedness) secured by or payable from Revenues or pertaining to any of the Systems, including any Bonds, or (c) for a combination of such purposes.

Section 302. Parity of Bonds and Other Senior Debt. This Agreement constitutes a continuing, irrevocable pledge of Revenues to secure payment of the principal of and premium, if any, and interest on all Bonds that may from time to time be issued and Outstanding hereunder or under the documents pertaining to such other Senior Debt, subject only to the right of the City to make application thereof to the purposes as provided herein, including the payment of Operating Expenses. All Senior Debt shall in all respects be equally and ratably secured hereunder without preference, priority or distinction on account of the actual time or times of the issuance or maturity thereof, so that all Bonds and all other Senior Debt at any time Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Agreement with like effect as if they had all been issued simultaneously, all to the extent and in the manner provided in this Agreement; provided, however, that the moneys in each Series Debt Service Reserve Account shall secure only the applicable Series of Bonds for which such Account was established; and provided further that any Senior Debt may have additional revenues or other security pledged to its payment. Nothing herein shall be construed, however, as (a) requiring that any Senior Debt bears interest at the same rate or in the same manner as any other Senior Debt, have the same, or an earlier or later, maturity, or be subject to mandatory, optional or extraordinary redemption prior to maturity on the same basis as any other Senior Debt, (b) prohibiting the City from entering into financial arrangements designed to assure that moneys will be available for the payment of certain Senior Debt at its maturity, or (c) prohibiting the City from pledging moneys or assets of the City other than those pledged herein for the benefit of certain Senior Debt.

Section 303. Subordinate Debt. Notwithstanding anything in this Agreement to the contrary, the City may at any time issue Subordinate Debt and pledge Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the requirements set forth in Section 602 immediately after the issuance of such Subordinate Debt and provided that no such Subordinate Debt may be accelerated if any Bonds are Outstanding.

Section 304. Conditions of Issuing Bonds. Before the issuance and authentication of any Series of Bonds by the Trustee, the City shall file with the Trustee the following:

(a) In the case of the initial Series of Bonds issued under this Agreement, (i) an Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, substantially to the effect that this Agreement has been duly authorized, executed and delivered by the City to the

Trustee and is binding in accordance with its terms against the City and (ii) a certified copy of a resolution of the City authorizing the execution and delivery of this Agreement.

(b) An original executed counterpart of a Supplemental Agreement, which (i) shall include: (A) provisions authorizing the issuance, fixing the principal amount and setting forth the details of such Bonds, including the interest rate or rates (or the formula for determining such rate or rates) and the manner in which the Bonds are to bear and pay interest, the principal and interest payment dates of the Bonds, the purposes for which such Bonds are being issued, their date and the manner of numbering such Bonds, the Series designation, the denominations, the maturity dates and principal maturities, the principal amounts required to be redeemed pursuant to any mandatory redemption provisions or the manner for determining such principal amounts, any provisions for optional or extraordinary redemption before maturity and any provisions regarding a Series Debt Service Reserve Account, and whether the interest on such Bonds shall be excluded from gross income for federal income tax purposes or subject to federal income taxation; and (B) provisions for the application of the proceeds of such Bonds; and (ii) may include: (A) provisions for credit facilities and for other funds and accounts to be established with respect to such Bonds; (B) provisions necessary or expedient for the issuance of Bonds bearing interest at a variable rate or other manner of bearing interest, including without limitation remarketing provisions, liquidity facility provisions and provisions for establishing a variable rate and converting to a fixed rate; (C) provisions for entering into interest rate swaps, guarantees or other arrangements to limit interest rate risks; and (D) such other provisions as the City may deem appropriate.

(c) A certified copy of a resolution or resolutions of the City authorizing the execution and delivery of a Supplemental Agreement, the issuance, sale, award, execution and delivery of such Bonds and, in the case of a Series of Bonds issued to refund Bonds, calling for redemption or payment of the Bonds to be refunded, fixing any redemption date and authorizing any required notice of redemption in accordance with the provisions of this Agreement.

(d) A certificate signed by the City Manager or the Director of Finance and dated the date of such issuance:

> (i) Either (A) stating that, upon and immediately following such issuance, no Event of Default has occurred that has not been cured or waived, and no event or condition exists that, with the giving of notice or lapse of time or both, would become an Event of Default, or (B) if any such event or condition is happening or existing, specifying such event or condition, stating that the City will act with due diligence to correct such event or condition after the issuance of such Bonds, and describing in reasonable detail the actions to be taken by the City toward such correction; and
>
> (ii) Stating that all required approvals, limitations, conditions and provisions precedent to the issuance of such Series of Bonds have been obtained, observed, met and satisfied.

(e) Evidence satisfactory to the Trustee that the City has complied with the insurance provisions set forth in Section 809 of this Agreement or appropriate substitute arrangements required to be in effect at that time are in full force and effect and are in such forms as necessary to comply with and satisfy all requirements of this Agreement.

(f) An Opinion or Opinions of Counsel, subject to customary exceptions and qualifications, substantially to the effect that the Supplemental Agreement for such Series of Bonds has been duly authorized, executed and delivered by the City to the Trustee, is binding on the City and complies in all respects with the requirements of this Agreement.

(g) An opinion of Bond Counsel, subject to customary exceptions and qualifications, substantially to the effect that (i) the issuance of such Bonds has been duly authorized, (ii) such Bonds are valid and binding limited obligations of the City, and (iii) the interest on such Bonds is excludable from gross income for purposes of federal income taxation or, if such interest is not excludable, the issuance and the intended use of the proceeds of such Bonds will have no adverse effect on the tax-exempt status of the interest on any other Bonds then Outstanding the interest on which was excludable from gross income for purposes of federal income taxation when issued.

(h) If such Bonds are issued to pay the Cost of a Project, the following:

(i) A written statement of the Consulting Engineer setting forth the Consulting Engineer's (A) estimate of the Cost of such Project (including all financing and related costs) and estimate of the date on which such Project will be completed, and (B) opinion that the proceeds of such Bonds, together with any other moneys identified as available or committed for such purpose, will be sufficient to pay the Cost of such Project;

(ii) Evidence satisfactory to the Trustee that, upon issuance of such Bonds, each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement;

(iii) A certificate of a Qualified Independent Consultant stating that based on the City's financial records for each of the last two Fiscal Years prior to the proposed issuance of such Bonds, and not taking into account such proposed issuance, the Revenues were sufficient to meet the requirements of Section 602; and

(iv) Either (A) a written statement of a Qualified Independent Consultant that demonstrates that, based on the City's financial records for any 12 consecutive months of the last 24 months (the "Test Period") prior to the issuance of such Bonds, the City would have been able to meet the rate covenant taking into account (I) for the purpose of meeting Section 602(a)(i), maximum Annual Debt Service in the current or any future Fiscal Year on Senior Debt then Outstanding plus the proposed additional Series of Bonds, (II) for purposes of meeting Section 602(a)(ii), maximum Annual Debt Service in the current or any future Fiscal Year on Senior Debt and Subordinate Debt then Outstanding plus the proposed additional Series of Bonds and (III) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the Council at the time of the delivery of the proposed additional Series of Bonds or (B) a written statement of a Qualified Independent Consultant that projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of such Project and demonstrates that, on the basis of such projection, the City can comply with the rate covenant in Section 602(a)(i) and (ii), taking into account those rates, fees and other charges that are in effect at the time of the delivery of the proposed additional Series of Bonds and any future changes therein as have been approved by the Council at the time of the delivery of the proposed additional Series of Bonds; provided, however, that a Qualified Independent Consultant may not take into account for the purposes of the projection in this subsection (B) connection or other new user fees that exceed in any Fiscal Year the actual average number of customers paying connection fees during the three prior Fiscal Years times the amount of each connection or other new user fee expected to be assessed based on the rate schedule then in effect.

(i) If such Bonds are issued to refund any bonds, as authorized by Section 301(c), the following:

(i) Evidence satisfactory to the Trustee that the City has made provision as required by this Agreement for the payment or redemption of all bonds to be refunded;

(ii) A written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that the proceeds (excluding accrued interest) of such Bonds, together with any other moneys deposited with the Trustee for such purpose and the investment income to be earned on moneys held for the payment or redemption of the bonds to be refunded, will be sufficient (without reinvestment) to pay either (A) the principal of and the premium, if any, on the bonds to be refunded and the interest that will accrue on such bonds to the respective redemption or maturity dates or (B) the principal and interest on the refunding Bonds to a date certain, at which time such proceeds, moneys and earnings will be sufficient to pay the principal of and the premium, if any, on the bonds to be refunded and the interest that will accrue on such bonds to the respective dates fixed for redemption or maturity dates; and

(iii) Either (A) a written determination by a Qualified Independent Consultant or other evidence satisfactory to the Trustee that, after the issuance of such Bonds and the provision for payment or redemption of all bonds to be refunded, the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Bonds of any Series not to be refunded will not be more than what the Annual Debt Service requirements for such Fiscal Year would have been on all Bonds Outstanding (including for such purposes the bonds to be refunded regardless of whether such bonds were issued pursuant to this Agreement), immediately prior to the issuance of such Bonds, or (B) a certificate as described in subsection (h)(iv) of this Section.

(j) A request and authorization of the City, signed by the City Manager, to the Trustee to authenticate and deliver such Bonds to the purchaser or purchasers upon payment to the Trustee for the account of the City of a specified sum plus accrued interest, if any, to the date of delivery.

None of the requirements in this Section may be waived without the consent of the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds.

Section 305. **__Use of Proceeds of Bonds for a Project__.** The proceeds of Bonds issued for the purpose of paying the Cost of a Project shall be deposited by the City contemporaneously with the delivery of such Bonds as follows:

(a) If so provided by the applicable Supplemental Agreement, in the Interest Account in the Revenue Bond Fund an amount to be used to pay the interest on such Bonds (i) that has accrued from their dated date to the date of delivery, (ii) that will accrue from their date of delivery to any date on or before the estimated date of completion of the construction of such Project and (iii) for a period not exceeding one year after the date of completion of such construction, as such date is estimated by the Consulting Engineer, pursuant to Section 304(h)(i);

(b) In the Series Debt Service Reserve Account, if any has been established for such Series of Bonds, an amount that will equal the Series Debt Service Reserve Requirement; and

(c) In the Construction Fund the balance of such proceeds for the purpose of paying the Cost of such Project, including without limitation issuance expenses for such Series of Bonds.

Section 306. **__Use of Proceeds of Bonds for Refunding__.** (a) The proceeds of Bonds issued for the purpose of refunding any bonds secured by or payable from Revenues, including any Bonds, shall be deposited by the City simultaneously with the delivery of such Bonds as follows:

(i) In a special account an amount specified in a certificate of the City, signed by the City Manager or the Director of Finance, to be used for the payment of expenses incident to such refunding;

(ii) In the Interest Account in the Revenue Bond Fund an amount equal to the accrued interest, if any, received as part of the proceeds of such Bonds; and

(iii) In an escrow account held by the Trustee (or an escrow agent) either (A) an amount that, together with any other moneys in such escrow account and the investment income to be earned on moneys therein, will be sufficient to pay when due the principal of and premium, if any, and interest on the bonds to be refunded, to be used for the sole purpose of paying such principal, premium and interest or (B) an amount which, together with any other moneys in such escrow account and the investment income to be earned thereon, will be sufficient to pay when due the installments of principal of and interest on such bonds for a period of time set forth in the Supplemental Agreement authorizing the refunding Bonds.

(b) Moneys held by the Trustee (or an escrow agent) as set forth in subsection (a)(iii) of this Section shall be, as nearly as may be practicable, invested and reinvested at the written direction of the City by the Trustee (or an escrow agent) in investments authorized under Section 702 as set forth in the related Supplemental Agreement. Any balance in the accounts set forth in subsections (a)(i) and (a)(iii) of this Section remaining after the payment of expenses and the payment or refunding of Bonds shall be deposited in the Interest Account in the Revenue Bond Fund or as otherwise directed by the City with the approval of Bond Counsel.

(c) If Bonds are issued to refund any bonds and such bonds are not retired immediately upon such issuance, the City shall determine, immediately upon the delivery of such Bonds, whether the amount on deposit in the applicable Series Debt Service Reserve Account (including any amounts to be deposited on account of the issuance of such Bonds) exceeds the applicable Series Debt Service Reserve Requirement (calculated without regard to debt service on any Bonds deemed not Outstanding). The City may direct the Trustee to remove such excess amount from such Series Debt Service Reserve Account and use such excess on a pro rata basis to remedy any deficiencies in any other Series Debt Service Reserve Accounts; provided, however, that if no such deficiencies exist, the City may direct the Trustee to remove such excess from the Series Debt Service Reserve Account and pay it to the City to be used by the City for any lawful purpose related to the System, including transfers to the escrow account described in subsection (a)(iii) of this Section.

Section 307. Senior Debt Service Components. The City may incur or refinance Senior Debt Service Components in connection with a Cost of Contracted Services provided that (a) the documents providing for the Senior Debt Service Components specify the amounts and due dates of Annual Debt Service with respect to such Senior Debt Service Components and (b) the City satisfies the tests set forth in Section 304(h)(iii) and (iv) or Section 304(i)(iii), as applicable, as if such Senior Debt Service Components were an additional Series of Bonds.

ARTICLE IV

REDEMPTION OF BONDS

Section 401. Redemption Provisions to be Fixed by the Supplemental Agreements. The Bonds of any Series shall be subject to mandatory, extraordinary or optional redemption prior to maturity on such dates and under such conditions as may be provided in the Supplemental Agreement authorizing the issuance of such Series of Bonds. The Bonds of any Series to be called for redemption shall be selected as provided in the applicable Supplemental Agreement. The Trustee shall treat each Bond of a denomination greater than the minimum denomination authorized in the applicable Supplemental Agreement as representing the number of separate Bonds of such minimum denomination as can be obtained by dividing the Bond's actual principal amount by such minimum denomination.

Section 402. Notice of Redemption. Unless otherwise provided in the applicable Supplemental Agreement, the Trustee, upon being satisfied as to the payment of its expenses, shall send notice of the call for redemption, identifying the Bonds or portions thereof to be redeemed, not less than 30 nor more than 60 days prior to the date fixed for redemption, (a) by facsimile or electronic transmission, registered or certified mail or overnight express delivery, to the holder of each Bond to be redeemed at his address as it appears on the registration books kept by the Trustee, (b) by facsimile or electronic transmission, registered or certified mail or overnight express delivery, to all organizations registered with the Securities and Exchange Commission as securities depositories, and (c) to the Electronic Municipal Market Access (EMMA) system (established by the Municipal Securities Rulemaking Board) or any other nationally recognized municipal securities information repository designated as such by the Securities and Exchange Commission.

In preparing and delivering such notice, the Trustee shall take into account, to the extent applicable, the prevailing tax-exempt securities industry standards and any regulatory statement of any federal or state administrative body having jurisdiction over the City or the tax-exempt securities industry, including without limitation Release No. 34-23856 of the Securities and Exchange Commission or any subsequent amending or superseding release. Failure to give any notice specified in (a) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bond with respect to which no such failure or defect has occurred. Failure to give any notice specified in (b) or (c) above, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds with respect to which the notice specified in (a) above is correctly given.

In the case of an optional redemption under any Supplemental Agreement, the notice may state that (i) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar (or the Trustee or other escrow agent in the event of a refunding pursuant to Section 304(i)) no later than the date fixed for redemption or (ii) the City retains the right to rescind such notice on or prior to the date fixed for redemption (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. Any Conditional Redemption may be rescinded at any time prior to the redemption date if the City delivers a written direction to the Trustee directing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the City to make funds available on or before the date fixed for redemption shall not constitute an Event of Default, and the Trustee shall give immediate notice to all organizations registered with the Securities and Exchange Commission as securities depositories or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

Section 403. Bonds Payable on Redemption Date; Interest Ceases to Accrue. On or before the date fixed for redemption of any Bonds, funds shall be deposited with the Trustee to pay the principal of and premium, if any, and interest accrued to the date fixed for redemption on the Bonds called for redemption. Upon the happening of the conditions of this Section, the Bonds or portions thereof thus called for redemption shall cease to bear interest from and after the date fixed for redemption, shall no longer be entitled to the benefits provided by this Agreement and shall not be deemed to be Outstanding under the provisions of this Agreement.

ARTICLE V

CUSTODY AND APPLICATION OF BOND PROCEEDS

Section 501. Creation of Construction Fund. The City of Danville Utilities Construction Fund (the "Construction Fund"), to be held by the Trustee, is hereby established. If so directed in a Supplemental Agreement, there shall be maintained within the Construction Fund special Accounts as may be provided in such Supplemental Agreement. Deposits shall be made to the credit of the Construction Fund and any special Accounts as provided in such Supplemental Agreement. All earnings on moneys in each Account and subaccount shall be credited to such Account and subaccount.

Section 502. Payments into Construction Fund. After complying with the requirements of Section 305(a) and (b), the Trustee shall deposit the balance of the proceeds of the Bonds in the Construction Fund.

Section 503. Cost of a Project. The Cost of a Project shall include the cost of improvements, the cost of construction or reconstruction, the cost of all labor, materials, machinery and equipment, the cost of all real estate, property, rights, easements, franchises and permits acquired, financing charges, interest prior to and during construction and for up to one year after completion of construction, start-up costs and working capital, the costs of plans, specifications and surveys and estimates of cost and of revenues, cost of engineering, legal and other professional services, including financial advisory services, and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition, construction or reconstruction, administrative expenses and such other expenses as may be necessary or incident to the financing of a Project or issuing any Bonds. Any obligation or expense incurred by the City in connection with any of the foregoing items of Cost may be regarded as a part of the Cost of a Project and reimbursed to the City out of the proceeds of the Bonds issued to finance such Project.

Section 504. Payments from Construction Fund. The Trustee shall use moneys in the Construction Fund solely to pay the Cost of a Project. Before any payment shall be made from the Construction Fund, there shall be filed with the Trustee:

(a) A requisition, signed by an Authorized City Representative, stating:

(i) the name of the person, firm or corporation to whom the payment is due;

(ii) the amount to be paid; and

(iii) the purpose in reasonable detail for which the obligation to be paid was incurred.

(b) A certificate attached to such requisition, signed by an Authorized City Representative, stating that:

(i) no written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition;

(ii) such requisition contains no items representing payment on account of any percentage entitled to be retained at the date of the certificate; and

(iii) the obligation stated on the requisition has been incurred in or about the construction of the applicable Project, each item is a proper charge against the Construction Fund and the obligation has not been the basis for a prior requisition which has been paid.

(c) If any requisition includes an item for payment for labor or to contractors, builders or materialmen, there shall also be attached to such requisition:

(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 applicable Project; and

(ii) a certificate, signed by an Authorized City 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.

(d) If any requisition includes an item for payment of the cost of acquisition of any real estate, easements or rights or interests in or relating to real estate, there shall also be attached to such requisition:

(i) a certificate, signed by the Consulting Engineer, stating that such real estate, easements, rights or interests are being acquired and are necessary or convenient for the construction of the applicable Project or the operation of the applicable System; and

(ii) an Opinion of Counsel stating that upon payment therefor the City will have title in fee simple to, or easements sufficient for the purposes of the applicable Project over and through, such real estate.

Upon receipt of each such requisition and accompanying certificate or certificates, the Trustee shall make payment within two Business Days from the Construction Fund in accordance with such requisition.

Section 505. Disposition of Balance in Construction Fund. When the Trustee shall have received a certificate, signed by an Authorized City Representative, stating what items of the Cost of a Project, if any, have not been paid and for the payment of which moneys should be reserved in the Construction Fund, the balance of any moneys remaining in the Construction Fund in excess of the amount to be reserved for payment of unpaid items of the Cost of such Project shall be (a) upon notice by the City to the Trustee, transferred for deposit in the Series Debt Service Reserve Account if the amount on deposit therein is less than the Series Debt Service Reserve Requirement, then (b) upon notice by the City to the Trustee, transferred for deposit in the Interest Account if the amount on deposit therein is less than the amount required to be on deposit therein on the last day of the preceding month to comply with Section 607(a) and (c) otherwise used as directed by the City and approved by Bond Counsel in writing for any capital expenditure of any of the Systems or transferred to the Improvement and Redemption Fund to be used for any purpose set forth in Section 612(a) through (d).

ARTICLE VI

REVENUES AND FUNDS

Section 601. <u>Annual Budget</u>. (a) Prior to the beginning of each Fiscal Year, the City shall adopt a budget for the ensuing Fiscal Year for each of the Systems, which shall be collectively referred to as the "Annual Budget."

(b) The Annual Budget shall be prepared in such manner as to show in reasonable detail (i) all Revenues projected to be received during such Fiscal Year, (ii) all Operating Expenses projected to be incurred and paid during such Fiscal Year, (iii) the amount of principal of and premium, if any, and interest on the Bonds that will become due during such Fiscal Year, (iv) the amount of principal of and premium, if any, and interest on any Senior Debt Service Components that will become due during such Fiscal Year, (v) the amount of principal of and premium, if any, and interest on any Subordinate Debt that will become due during such Fiscal Year, (vi) any amount necessary to be paid into the Debt Service Reserve Fund during such Fiscal Year to restore the amount on deposit in each Account therein to the amount of the applicable Series Debt Service Reserve Requirement, (vii) the amount, if any, scheduled to be paid in the Rate Stabilization Fund during such Fiscal Year, (viii) the amount, if any, required to be paid into the Improvement and Redemption Fund during such Fiscal Year, and (ix) the amount of any other indebtedness attributable to any of the Systems that is required to be paid from Revenues in such Fiscal Year. The Annual Budget shall be prepared in sufficient detail to show the amounts to be deposited in the various Funds, Accounts and subaccounts created by or under this Agreement. Copies of the Annual Budget shall be made available on the City's website not later than the first day of the Fiscal Year for which it is prepared.

(c) If for any reason an Annual Budget has not been adopted within the time required by subsection (a) of this Section, the last previously adopted Annual Budget shall be deemed to provide for and regulate and control expenditures during such Fiscal Year until an Annual Budget for such Fiscal Year shall have been adopted.

(d) The City may amend the Annual Budget at any time during the Fiscal Year. The City shall follow the same procedure regarding any such amendment as provided in this Section for the adoption and filing of the Annual Budget. Copies of all such amendments shall be made available promptly on the City's website.

Section 602. <u>Revenue Covenant</u>. (a) The City shall fix, charge and collect such rates, fees and other charges for the use of and for the services furnished by the Systems, and will, from time to time and as often as shall appear necessary, revise such rates, fees and other charges, so as to produce Revenues in each Fiscal Year sufficient to meet the following two independent requirements:

(i) Net Revenues shall be sufficient in each Fiscal Year to equal 120% of Annual Debt Service with respect to Senior Debt for such Fiscal Year.

(ii) Revenues shall be sufficient in each Fiscal Year to pay (A) the Operating Expenses shown in the Annual Budget for such Fiscal Year, (B) the amount of Annual Debt Service that shall be due on Senior Debt in such Fiscal Year, (C) the amount, if any, required to be deposited in any Series Debt Service Reserve Account to restore the amount on deposit therein to the amount of its respective Series Debt Service Reserve Requirement, (D) the amount of Annual Debt Service, if any, that shall be due on Subordinate Debt in such Fiscal Year and (E) the amount, if any, required to be paid into the Improvement and Redemption Fund in such Fiscal Year.

(b) If the requirements set forth in subsection (a) above are not met in a Fiscal Year, then the City shall promptly retain a Qualified Independent Consultant to make recommendations as to operations of the Systems and revision of the schedules of fees, rates and other charges for the Systems. Upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the City shall make such adjustments to the operations of the Systems and establish such fees, rates and charges as necessary to meet the requirements set forth in subsection (a) above in the Fiscal Year immediately following the Fiscal Year in which such adjustments are made; provided, however, that the City need not implement the recommendations of the Qualified Independent Consultant, to the extent it determines such recommendations are impractical or inappropriate, and may in lieu thereof implement such other adjustments to the operations of the Systems and establish such fees, rates and charges as the City concludes will bring it into compliance with the revenue covenant set forth in subsection (a) above when such measures have been implemented and become fully effective. If the City has taken the steps set forth in this subsection (b), there shall be no default under this Section 602 or an Event of Default under the provisions of Section 1001(c) so long as no other Event of Default has occurred and is continuing.

Section 603. **<u>No Free Service or Competing Service; Billing and Enforcement of Charges</u>.** (a) So long as any of the Bonds are Outstanding, the City shall not permit connections to or use of any of the Systems or provide any services of any of the Systems without making a charge therefor; provided, however, that the City may supply, without making a charge therefor, the services of the Systems (i) to the City and its departments and agencies, (ii) for fire protection purposes, [(iii) in accordance with the City Code, including Section [___] thereof or any successor provision] and (iv) in accordance with the Virginia Code. The City shall not provide, grant any franchise to provide or give consent for anyone else to provide any services which would compete with any of the Systems [except in accordance with City Code Section [__] or any successor provision.]

(b) The City shall bill customers for the services of the Systems no less frequently than quarterly.

(c) The City shall take all appropriate steps to enforce collection of any overdue charges by any remedy available at law or in equity.

Section 604. **<u>Establishment of Funds</u>.** The following funds are hereby established:

(a) City of Danville Utilities Revenue Fund, to be held by the City;

(b) City of Danville Utilities Operating Fund, to be held by the City;

(c) City of Danville Utilities Revenue Bond Fund, in which there are established an Interest Account and a Principal Account, both to be held by the Trustee, to the extent that there are Outstanding Bonds;

(d) City of Danville Utilities Senior Debt Service Component Fund, in which there are established an interest account and a principal account, both to be held by or at the direction of the City;

(e) City of Danville Utilities Debt Service Reserve Fund, in which there shall be established a Series Debt Service Reserve Account for each Series of Bonds that has a Series Debt Service Reserve Requirement, to be held by the Trustee, to the extent that there are Outstanding Bonds;

(f) City of Danville Utilities Subordinate Debt Fund, to be held by or at the direction of the City;

(g) City of Danville Utilities Rate Stabilization Fund, to be held by the City;

(h) City of Danville Utilities Improvement and Redemption Fund, to be held by the City; and

(i) City of Danville Utilities General Reserve Fund, to be held by the City.

Notwithstanding the foregoing, upon an Event of Default, the City shall transfer custody of the Revenue Fund and the Senior Debt Service Component Fund to the Trustee.

The Trustee and the City may establish in each Supplemental Agreement such other Funds, Accounts and subaccounts within such Funds and Accounts as may be desirable.

Section 605. Revenue Fund.

(a) The City shall collect and deposit in the Revenue Fund no later than the 25th day of each month all Revenues. Moneys on deposit in the Revenue Fund shall be used in the manner and priority set out below.

(b) Notwithstanding anything in this Agreement to the contrary, at any time the City is required to make transfers from the Revenue Fund to the Revenue Bond Fund pursuant to Section 607 and to the Senior Debt Service Component Fund pursuant to Section 608, and there are insufficient moneys in the Revenue Fund (after transfers to the Operating Fund) to make the required transfers pursuant to such Sections, the City shall make the transfers ratably from moneys available in the Revenue Fund.

Section 606. Operating Fund. As of the 25th day of each month, but not later than the last day thereof, the City shall transfer from the Revenue Fund to the Operating Fund such amount needed to increase the balance therein to the sum of (a) the estimated amount of the Operating Expenses for the next succeeding two months as provided in the Annual Budget and (b) the aggregate amount of all checks and other debits outstanding and unpaid drawn upon the Operating Fund. The City shall pay Operating Expenses from the Operating Fund as the same become due and in accordance with the purposes and amounts provided in the Annual Budget. In the event the balance in the Operating Fund is insufficient for the purposes thereof, the City shall transfer to such Fund such amounts as may be necessary therefor from the Improvement and Redemption Fund pursuant to Section 612 or from the General Reserve Fund pursuant to Section 613. The City also may transfer from the Rate Stabilization Fund to the Operating Fund amounts necessary to cure any deficiency in the Operating Fund, to the extent permitted by Section 611.

Section 607. Revenue Bond Fund. As of the 25th day of each month, but not later than the last day thereof, after the transfer to the Operating Fund required by Section 606 shall have been made and subject to the provision of Section 606(b), the City shall deliver to the Trustee for deposit in the Revenue Bond Fund such amount from the Revenue Fund as shall be necessary to make the following deposits:

(a) first, in the Interest Account, such amount, if any, as may be required to make the total amount on deposit therein equal to one-sixth of (i) the amount of interest that will become due on the Bonds within the next succeeding six months (including any supplemental interest payable pursuant to the terms of any of the Bonds) multiplied by (ii) the sum of one plus the number of complete months since the last interest payment date; and

(b) then, in the Principal Account, such amount, if any, as may be required to make the total amount on deposit therein equal to one-twelfth of (i) the amount of principal of each Series of Bonds maturing or coming due or the mandatory sinking fund installment of any Term Bonds required to be paid within the next succeeding twelve months multiplied by (ii) the sum of one plus the number of complete months since the last principal payment date;

provided, however, that for any Series of Bonds, the deposits described in (a) and (b) above may be changed in any Supplemental Agreement; provided further that, if the period between the dated date and the first interest payment date is other than six months or the period between the dated date and the first principal payment date is less than 12 months, respectively, then such monthly transfers to the Interest Account or the Principal Account, as appropriate, shall be increased or decreased so as to provide the required amount when due.

The Trustee shall pay the principal of and interest on the Bonds from the Principal Account and the Interest Account, respectively, as the same become due; provided, however, that interest during construction may be paid from the Construction Fund if provided for in the Supplemental Agreement for such Series of Bonds. The Trustee shall provide for redemption of any Term Bonds in accordance with the schedule set forth in the Supplemental Agreement for such Series of Bonds; provided, however, that on or before the 70th day next preceding any such sinking fund payment date, the City may:

(i) pay to the Trustee for deposit in the Principal Account on or before such 70th day such amount as the City may determine, accompanied by a certificate signed by an Authorized City Representative directing the Trustee to apply such amount to the purchase of Bonds required to be redeemed on such sinking fund payment date, and the Trustee shall thereupon use all reasonable efforts to expend such funds as nearly as may be practicable in the purchase of such Bonds at a price not exceeding the principal amount thereof plus accrued interest to such sinking fund redemption date; or

(ii) deliver to the Trustee for cancellation Term Bonds required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or

(iii) instruct the Trustee to apply a credit against the City's next sinking fund redemption obligation for any such Term Bonds that previously have been redeemed (other than through the operation of the sinking fund) and canceled by the Trustee but not theretofore applied as a credit against any sinking fund redemption obligation.

Each Bond so purchased, delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof against amounts required to be delivered by the City from the Revenue Fund to the Trustee for deposit in the Principal Account on account of such Term Bonds. Upon the occurrence of any of the events described in subsections (i), (ii) or (iii) of this paragraph, the Trustee shall credit against the City's sinking fund redemption obligation on the next sinking fund payment date the amount of such Bonds so purchased, delivered or previously redeemed. Any principal amount of such Term Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date shall be similarly credited in chronological order against future transfers from the Revenue Fund to the Principal Account and similarly reduce the principal amount of any Term Bonds to be redeemed on the next sinking fund payment date. Within seven days of receipt of such amount, Term Bonds or instructions to apply a credit, the Trustee shall then take any amounts remaining in the Principal Account in excess of the amount required to fulfill the remaining required sinking fund redemption obligation on the next sinking fund payment date and, as directed by an Authorized City Representative, (x) redeem Bonds or (y) transfer such excess amount to the Improvement and Redemption Fund.

Any funds received by the Trustee pursuant to subsection (i) of the preceding paragraph but not expended as provided therein for the purchase of Bonds within seven days after such 70th day shall, at the direction of an Authorized City Representative, (x) be retained in the Principal Account to the extent the amount in the Principal Account is insufficient to fulfill the required redemption on the next sinking fund payment date, (ii) transferred to the Interest Account or (iii) delivered to the City for deposit in the Improvement and Redemption Fund.

In the event the balance in the Principal Account or the Interest Account is insufficient for the purposes thereof, the Trustee shall notify the City of the amount of such insufficiency and the City shall deliver to the Trustee for deposit in such Account(s) such amount(s) as may be necessary therefor from the Improvement and Redemption Fund pursuant to Section 612 or from the General Reserve Fund pursuant to Section 613. If the balance in either such Account is still insufficient for the purposes thereof, the Trustee shall transfer such amounts as may be necessary from the applicable Series Debt Service Reserve Account in the Debt Service Reserve Fund.

In the event the balance on deposit in the Interest Account on any interest payment date shall exceed the amount payable on account of interest on the Bonds on such date, the excess shall be, if the amount on deposit in any Series Debt Service Reserve Account is less than the respective Series Debt Service Reserve Requirement, transferred to such Series Debt Service Reserve Account to the extent of such deficiency, and otherwise, at the direction of an Authorized City

Representative, retained in the Interest Account or transferred to the Principal Account to be credited against required deposits thereto.

In the event the balance on deposit in the Principal Account on any principal payment date shall exceed the amount required on such date to pay Bonds at maturity or to redeem Term Bonds pursuant to mandatory sinking fund requirements, the excess shall be, if the amount on deposit in any Series Debt Service Reserve Account is less than the respective Series Debt Service Reserve Requirement, transferred to such Series Debt Service Reserve Account to the extent of such deficiency, and otherwise, at the direction of an Authorized City Representative, retained in the Principal Account or transferred to the Interest Account to be credited against required deposits thereto.

Section 608. Senior Debt Service Component Fund. As of the 25th day of each month, but not later than the last day thereof, after the transfers to the Operating Fund and the Revenue Bond Fund required by Section 606 and Section 606Section 607 respectively, and subject to the provision of Section 606(b), the City shall deposit to the interest account and principal account in the Senior Debt Service Component Fund amounts with respect to any Senior Debt Service Component(s) coming due in the next succeeding month. In the event that any Senior Debt Service Component is payable other than on a monthly basis, the City may provide for monthly deposits to the Senior Debt Service Component Fund to amortize such amounts. In the event the amount on deposit in the Senior Debt Service Component Fund is insufficient for the purposes thereof, the City shall transfer amounts as may be necessary to correct such deficiency first from the General Reserve Fund pursuant to Section 613 and then from the Improvement and Redemption Fund pursuant to Section 612.

The City shall pay when due to such person designated for such purpose by an Authorized City Representative payments on any Senior Debt Service Components. Notwithstanding anything in this Agreement to the contrary, the Senior Debt Service Component Fund is not pledged to the payment of Bonds.

Section 609. Debt Service Reserve Fund. As of the 25th day of each month, but not later than the last day thereof, after the transfers to the Operating Fund, the Revenue Bond Fund and the Senior Debt Service Component Fund required by Section 606, Section 607 and Section 608 , respectively, shall have been made, the City shall deliver such amount(s), if any, from the then-available balance in the Revenue Fund to the Trustee for deposit in any Series Debt Service Reserve Account(s) in the Debt Service Reserve Fund as the Trustee may certify as necessary to increase the amount(s) on deposit therein to equal the amount of the applicable Series Debt Service Reserve Requirement(s), provided that if the amount on deposit in the Revenue Fund is insufficient to fully restore each Series Debt Service Reserve Account, such amount shall be allocated pro rata based on the principal amount of Outstanding Bonds of each Series. Each Series Debt Service Reserve Account shall be used to make transfers to the Revenue Bond Fund to the extent necessary to pay the principal of (whether at maturity or by mandatory sinking fund redemption) and interest on only the related Series of Bonds as the same become due if the amounts on deposit therein are insufficient therefor.

At the option of the City, the Series Debt Service Reserve Requirement for two or more Series of Bonds may be combined into a single Series Debt Service Reserve Account established within the Debt Service Reserve Fund, with the amount of such Series Debt Service Reserve Requirement meaning at any time the then-remaining maximum Annual Debt Service on all such Series of Bonds so combined, and with the amounts in such Series Debt Service Reserve Account securing all Bonds of such combined Series on a pro rata basis calculated based on the principal amount of the Outstanding Bonds of each Series. Notwithstanding any other provision of this Agreement to the contrary, the Trustee may approve amendments to this Agreement necessary or desirable to permit the exercise of such option.

In the event the amount on deposit in any Series Debt Service Reserve Account is less than the respective Series Debt Service Reserve Requirement, the Trustee shall request, and the City shall deliver first from the General Reserve Fund pursuant to Section 613, then from the Improvement and Redemption Fund pursuant to Section 612, and then from the Subordinate Debt Fund pursuant to Section 610, funds sufficient to restore any Series Debt Service Reserve Account to the amount of the respective Series Debt Service Reserve Requirement, or such lesser amount as may be available; provided, however, that if after such transfers, there is still a deficiency in any Series Debt Service Reserve Account, then the City shall transfer to the Trustee from the Revenue Fund the amount of such deficiency as soon as practicable and in any event within a period of 12 months by depositing one-twelfth of the required amount each month. If any of the foregoing amounts are insufficient to fully restore each Series Debt Service Reserve Account, such amounts shall be allocated pro rata based on the principal amount of Outstanding Bonds of each Series.

In the event the amount on deposit in any Series Debt Service Reserve Account shall exceed the respective Series Debt Service Reserve Requirement, the Trustee shall transfer the excess not less frequently than semi-annually to the Revenue Bond Fund to be deposited in the Interest Account or Principal Account to the extent amounts in such Accounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, and then any excess remaining shall be delivered to the City for deposit in the Revenue Fund.

In lieu of or in addition to cash or investments, at any time the City may cause to be deposited to the credit of any Series Debt Service Reserve Account any form of surety bond or other credit facility (or combination thereof), in the amount of all or a portion of the respective Series Debt Service Reserve Requirement, irrevocably payable to the Trustee as beneficiary for the holders of the respective Series of Bonds, provided that the Trustee has received evidence satisfactory to it that (a) the provider of the credit facility has a credit rating in one of the two highest credit rating categories by two Rating Agencies, (b) the obligation of the City to pay the fees of and to reimburse the provider of the credit facility is subordinate to its obligation to pay debt service on the respective Series of Bonds, (c) the term of the credit facility is at least 24 months, (d) the only condition to a drawing under the credit facility is insufficient amounts in the applicable Funds and Accounts with respect to such Series of Bonds when needed to pay debt service on such Series or the expiration of the credit facility and (e) if the term of the credit facility is greater than 24 months, the provider of the credit facility shall notify the City and the Trustee at least [24] months prior to the expiration of the credit facility.

If (a) the City receives such expiration notice and the provider of such credit facility does not extend its expiration date, (b) the City receives notice of the termination of the credit facility,

(c) the provider of such credit facility no longer has a credit rating in one of the two highest credit rating categories by two Rating Agencies (without regard to any rating refinement or gradation by numerical modifier or otherwise) or (d) the City desires to provide a substitute credit facility or cash, the City shall (i) provide a substitute credit facility that meets the requirements set forth in the foregoing paragraph, (ii) deposit the Series Debt Service Reserve Requirement in the respective Series Debt Service Reserve Account (A) in equal monthly installments over the next succeeding 12 months in the case of receipt of an expiration notice, (B) prior to the termination date in the case of receipt of a termination notice, or (C) over a 12-month period in the case of such reduction in credit rating or (iii) instruct the Trustee to draw on such credit facility in the amount of the Series Debt Service Reserve Requirement (A) 12 months prior to expiration of the credit facility in the case of receipt of an expiration notice, (B) prior to the termination date in the case of receipt of a termination notice or (C) over a 12-month period in the case of such reduction in credit rating and deposit such drawing to the Series Debt Service Reserve Account.

If a disbursement is made pursuant to any credit facility, the City shall either (a) reinstate the maximum limit of such credit facility or (b) deposit to the credit of the applicable Series Debt Service Reserve Account moneys in the amount of the disbursement made under such credit facility from available moneys in the Revenue Fund pursuant to Section 605. To the extent such moneys are still insufficient, then the City shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

Amounts, if any, released from any Series Debt Service Reserve Account upon deposit to the credit of such Account of a credit facility pursuant to the preceding paragraph shall, upon designation by an Authorized City Representative, accompanied by an Opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income of interest on the respective Series of Bonds, be transferred for deposit to (a) the Revenue Bond Fund with respect to such Series of Bonds and used to pay principal of or to redeem or to pay interest on such Bonds or (b) the Construction Fund and used for payment of the Cost of a Project with respect to such Series of Bonds.

Section 610. Subordinate Debt Fund. As of the 25th day of each month, but not later than the last day thereof, after the transfers to the Operating Fund, the Revenue Bond Fund, the Senior Debt Service Component Fund and the Debt Service Reserve Fund required by s Section 606, Section 607, Section 608 and Section 609, respectively, shall have been made, the City shall transfer to the Subordinate Debt Fund such amount, if any, of principal of and interest on Subordinate Debt coming due in the next succeeding month; provided, however, that if any Subordinate Debt is payable other than on a monthly basis, the City may provide for monthly deposits to the Subordinate Debt Fund to amortize such amounts. After the preceding transfers, the City shall transfer to any debt service reserve fund established in connection with such Subordinate Debt the amount, if any, as the City shall determine to be necessary to increase the amount on deposit in such debt service reserve fund to its respective reserve requirement. In the event the amount on deposit in the Subordinate Debt Fund or in any debt service reserve fund established in connection with Subordinate Debt is insufficient for the purposes thereof, the City shall transfer such amounts as may be necessary to correct such deficiency first from the General

Reserve Fund pursuant to Section 613 and then from the Improvement and Redemption Fund pursuant to Section 612.

The City shall pay when due to such person designated for such purpose by an Authorized City Representative payments on any Subordinate Debt. The City shall also transfer amounts on deposit in the Subordinate Debt Fund to any Series Debt Service Reserve Account within the Debt Service Reserve Fund if and as needed in accordance with Section 609. Notwithstanding anything in this Agreement to the contrary, the Subordinate Debt Fund is not pledged to the payment of Bonds.

Section 611. Rate Stabilization Fund. As of the 25th day of each month, but no later than the last day thereof, after the transfers to the Operating Fund, the Revenue Bond Fund, the Senior Debt Service Component Fund, the Debt Service Reserve Fund and the Subordinate Debt Fund required by Section 606, Section 607, Section 608, Section 609 and Section 610, respectively, shall have been made, the City shall transfer to the Rate Stabilization Fund the amounts necessary to bring the balance in the Rate Stabilization Fund to the Rate Stabilization Requirement in not more than twenty-four (24) equal monthly installments. The City may at its option make transfers from the Rate Stabilization Fund to the Revenue Fund and any such transferred amounts shall be deemed Revenues. In addition, the City may at its option make transfers from the Rate Stabilization Fund to the Operating Fund to cure any deficiency therein. Interest earnings or any profit from investing funds held in the Rate Stabilization Fund shall be transferred by the City at least monthly either to the Revenue Fund or, to the extent of any deficiency therein, to the Operating Fund.

The City shall review the adequacy of the amount of the Rate Stabilization Requirement and may adjust the Rate Stabilization Requirement at any time as it deems appropriate. The City may at any time reduce or increase the balance in the Rate Stabilization Fund to any amount, including zero, upon written determination by the Director of Utilities, as approved by the Director of Finance, setting forth the amount to be withdrawn or added. Upon satisfaction of the requirements set forth above, the amount of the reduction in the Rate Stabilization Fund will be transferred by the City from the Rate Stabilization Fund to the Revenue Fund, unless otherwise specified in a Supplemental Agreement. The City shall transfer amounts from the Improvement and Redemption Fund pursuant to Section 612 and from the General Reserve Fund pursuant to Section 613 to the Rate Stabilization Fund to restore the balance therein to the amount of the Rate Stabilization Requirement.

Notwithstanding anything in this Agreement to the contrary, the Rate Stabilization Fund is not pledged to the payment of Bonds.

Section 612. Improvement and Redemption Fund. As of the 25th day of each month, but not later than the last day thereof, after the transfers to the Operating Fund, the Revenue Bond Fund, the Senior Debt Service Component Fund, the Debt Service Reserve Fund, the Subordinate Debt Fund and the Rate Stabilization Fund required by Section 606, Section 607, Section 608, Section 609, Section 610 and Section 611, respectively, shall have been made, the City shall transfer to the Improvement and Redemption Fund any balance remaining in the Revenue Fund until the balance on deposit in the Improvement and Redemption Fund is at least $[1,000,000] (or such higher amount as the Consulting Engineer shall recommend); provided, however, that whenever the amount on deposit in the Improvement and Redemption Fund is less than $[1,000,000] (or such higher amount as the Consulting Engineer shall recommend), and to the extent of funds then available in the Revenue Fund, the amount of such transfer into the Improvement and Redemption Fund shall not be less than $[150,000] per year or such amount less than $[150,000] that is necessary to restore the balance in the Improvement and Redemption Fund to $[1,000,000] (or such higher amount as the Consulting Engineer shall recommend). Subject to retaining moneys necessary to pay Bonds that have been called for redemption but not then presented for payment, the City may use amounts in such fund for any of the following purposes:

(a) to pay Operating Expenses for which the balance in the Operating Fund may be insufficient;

(b) to make transfers to the Revenue Bond Fund, the Senior Debt Service Component Fund or the Subordinate Debt Fund if necessary to pay debt service due on any Bonds, Senior Debt Service Components or Subordinate Debt;

(c) to make up a deficiency in any Series Debt Service Reserve Account as provided in Section 609;

(d) to make transfers to the Rate Stabilization Fund if and as directed by the City;

(e) to pay the cost of replacements of major components of any of the Systems and the cost of acquisition or construction of improvements, extensions, additions or replacements that constitute or will constitute a part of any of the Systems required to be charged to capital account by generally accepted accounting principles;

(f) to purchase, for cancellation, Bonds at or below their current redemption price;

(g) to redeem Bonds at the earliest practicable date; and

(h) to pay arbitrage rebate with respect to any Series of Bonds.

When the balances in the Revenue Bond Fund, the Debt Service Reserve Fund and the Improvement and Redemption Fund are sufficient to redeem all the Bonds then Outstanding, the balances in such Funds shall be transferred to a special Account within the Improvement and Redemption Fund to be held for the redemption of the Bonds at the earliest practicable date and for no other purpose. Other than a special Account established in the Improvement and Redemption Fund pursuant to the preceding sentence, the Improvement and Redemption Fund is not pledged to the payment of Bonds.

Section 613. General Reserve Fund. As of the 25th day of each month, but not later than the last day thereof, after the transfers to the Operating Fund, the Revenue Bond Fund, the Senior Debt Service Component Fund, the Debt Service Reserve Fund, the Subordinate Debt Fund, the Rate Stabilization Fund and the Improvement and Redemption Fund required by Section 606, Section 607, Section 608, Section 609, Section 610, Section 611 and Section 612, respectively, shall have been made, the City shall transfer to the General Reserve Fund any balance remaining in the Revenue Fund. Moneys on deposit in the General Reserve Fund shall be used to cure any deficiency, in priority order, in the Operating Fund, the Revenue Bond Fund, the Senior Debt

Service Component Fund, the Debt Service Reserve Fund and the Rate Stabilization Fund; any funds remaining after such transfers (a) may be applied for any other lawful purpose of any of the Systems and (b) so long as no Event of Default has occurred and is continuing, may be transferred to the City's General Fund for any other lawful purpose.

Notwithstanding anything in this Agreement to the contrary, the General Reserve Fund is not pledged to the payment of Bonds.

Section 614. Payments in Aid of Construction. The City shall deposit in a separate account any payments made to the City by any persons as payment for constructing water, wastewater, electric or gas facilities at the request of such persons, whether such payments are made prior to or after such construction. Prior to the completion of construction of such facilities, the City shall use funds on deposit in such account only to pay the cost of such construction. After completion of such construction, the City may use any funds remaining in such account for any other lawful purpose of any of the Systems.

Notwithstanding anything in this Agreement to the contrary, such account is not pledged to the payment of Bonds.

Section 615. Pledge of Revenues and Funds. All Revenues are hereby pledged equally and ratably to secure payment of the principal of and premium, if any, and interest on all Bonds and other Senior Debt that may from time to time be issued and Outstanding hereunder or under the documents pertaining to such other Senior Debt, subject only to the right of the City to make application thereof to the purposes as provided herein, including the payment of Operating Expenses. Except as described below, all moneys in the Construction Fund, the Revenue Fund, the Revenue Bond Fund and the Debt Service Reserve Fund shall be trust funds and are hereby pledged equally and ratably to the payment of the principal of and premium, if any, and interest on all Bonds, subject only to the right of the City to make application thereof, or to direct the Trustee to make application thereof, to other purposes as provided herein. The lien and trust hereby created are for the benefit of the Bondholders and the holders of any other Senior Debt and for their additional security until all the Bonds and other Senior Debt have been paid; provided, however, that the moneys in each Series Account within the Construction Fund and each Series Debt Service Reserve Account within the Debt Service Reserve Fund shall secure only the respective Series of Bonds for which such Account was established; and provided, further, that any additional security securing a particular Series of Bonds shall secure only that Series.

Section 616. Disposition of Balances in Funds after Payment of Bonds. After the principal of and premium, if any, and interest on all of the Bonds and all expenses and charges herein required have been paid or provision therefor has been made, the Trustee shall pay to the City any balance remaining in any Fund then held by the Trustee.

ARTICLE VII

INVESTMENTS AND SECURITY FOR DEPOSITS

Section 701. Security for Deposits. All moneys held in the Funds and Accounts created by this Agreement that are on deposit with any bank shall be continuously secured in the manner required by the Virginia Security for Public Deposits Act (Chapter 44, Title 2.2 of the Virginia Code) or any successor provision of law.

Section 702. **Investment of Moneys in Funds.** Any moneys held in the Funds and Accounts shall be invested and reinvested by the Trustee (or by or on behalf of the City in the case of any Funds and Accounts not held by the Trustee), as directed in writing by an Authorized City Representative, in Investment Obligations subject to the limitations stated herein or in any Supplemental Agreement. Moneys held in the following funds shall be invested in obligations described in this Section of the following maturities: [SUBJECT TO REVIEW]

(a) Construction Fund – not to exceed the dates on which such moneys will be needed to pay the Cost of the applicable Project;

(b) Revenue Fund – not later than the last day of the month in which such moneys shall be transferred;

(c) Operating Fund – not to exceed 60 days;

(d) Revenue Bond Fund, Senior Debt Service Component Fund and Subordinate Debt Fund – not to exceed the date on which such moneys will be needed to pay principal of or interest on the Bonds, any Senior Debt Service Components or any Subordinate Debt, respectively;

(e) Debt Service Reserve Fund – not to exceed 20 years but in no event later than the final maturity of the applicable Series of Bonds; and

(f) Rate Stabilization Fund, Improvement and Redemption Fund and General Reserve Fund – not to exceed five years.

For purposes of this Section, investments shall be considered as maturing on the date on which they are redeemable without penalty at the option of the holder or the date on which the City or the Trustee may require their repurchase pursuant to a repurchase agreement.

Whenever a payment or transfer of moneys between Funds or Accounts is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more Investment Obligations at a value determined in accordance with Section 704, provided that the Investment Obligations transferred are permitted investments for the Fund or Account receiving such Investment Obligations.

Unless otherwise provided in this Agreement or a Supplemental Agreement, earnings on Investment Obligations shall accrue to, and any losses on Investment Obligations shall be charged to, the Fund or Account in which such Investment Obligations are on deposit, or, at the written direction of an Authorized City Representative, such earnings shall be transferred to and deposited in the Revenue Fund.

Section 703. Investment of Surplus Funds. The City and the Trustee shall provide for the investment of all moneys in any Fund or Account not immediately necessary for the purposes of such Fund or Account so that all idle moneys may be invested for the benefit of the Bondholders.

Section 704. Valuation of Investments. In computing the amount in any Fund or Account created by this Agreement, obligations purchased as an investment of moneys therein shall be valued at cost or fair market value thereof, whichever is lower, plus accrued interest, except that investments in the Debt Service Reserve Fund shall be valued at cost thereof, plus accrued interest. Such valuations shall be made semi-annually and at such other times as the City may reasonably request.

Section 705. Investments through Trustee's Bond Department. The Trustee may make investments permitted by Section 702 through its own bond department.

ARTICLE VIII

PARTICULAR COVENANTS

Section 801. Payment of Bonds; Limited Obligations. The City shall promptly pay, or cause to be paid, when due the principal of (whether at maturity or call for redemption or otherwise) and premium, if any, and interest on the Bonds at the places, on the dates and in the manner provided herein and in the Bonds according to the true intent and meaning thereof; provided, however, that such obligations are not general obligations of the City but are limited obligations payable solely from the Revenues, except to the extent payable from the proceeds of the Bonds, certain pledged reserves or income from investments pursuant to this Agreement or proceeds of insurance, which Revenues are hereby specifically pledged to such purposes in the manner and to the extent provided herein. The Bonds, the premium, if any, and the interest thereon shall not be deemed to create or constitute a general obligation indebtedness of or a pledge of the faith and credit of the Commonwealth of Virginia or of any county, city, town or other political subdivision of the Commonwealth, including the City.

Section 802. Limitations on Indebtedness. The City shall not issue any bonds, notes or other obligations that shall be secured by a pledge of Revenues (i) senior to the pledge of Revenues securing the Bonds or (ii) on parity with the pledge of Revenues securing the Bonds other than Senior Debt. The City shall not issue Senior Debt or Subordinate Debt unless the City complies with the provisions of Article III, as applicable.

Section 803. Covenants and Representations of City. The City shall faithfully observe and perform all covenants, conditions and agreements on its part contained in this Agreement, in every Bond executed, authenticated and delivered hereunder and in all proceedings of the City pertaining thereto. The City represents that it is duly authorized under the Constitution and the laws of the Commonwealth to issue the Bonds, to execute and deliver this Agreement, and to pledge Revenues in the manner and to the extent herein set forth. The City covenants that it will take all action necessary for the issuance of the Bonds and the execution and delivery of this

Agreement and that upon issuance the Bonds will be valid and enforceable limited obligations of the City according to the import thereof.

Section 804. Covenants with Credit Banks, Insurers, etc. The City may make such covenants and agreements in a Supplemental Agreement as it may determine to be appropriate with any insurer, credit bank or other financial institution that shall agree to insure or to provide credit or liquidity support to enhance the security or the value of any Bonds. Such covenants and agreements may be set forth in the applicable Supplemental Agreement and shall be binding on the City the same as if such covenants were set forth in full in this Agreement.

Section 805. Operation and Maintenance. The City shall establish and enforce reasonable rules and regulations governing the use of and the services furnished by each of the Systems, maintain and operate each of the Systems in an efficient and economical manner pursuant to the Annual Budget, maintain the same in good repair and sound operating condition and make all necessary repairs, replacements and renewals. All compensation, salaries, fees and wages paid by the City in connection with the operation and maintenance of each of the Systems shall be reasonable. The City shall observe and perform all of the terms and conditions contained in the Virginia Code and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to any of the Systems or the City.

Section 806. Consulting Engineer. The City shall at all times employ as Consulting Engineer an engineering firm or firms or individual engineer or engineers of recognized standing and experience in the field of water, wastewater, electrical and gas engineering registered in the Commonwealth, whose duties shall include inspection of the applicable System and advice as to proper operation, maintenance and repair of such System.

Section 807. Sale or Encumbrance. Neither the Systems nor any integral part thereof shall be leased, sold, encumbered or otherwise disposed of without the prior consent of the holders of two-thirds in aggregate principal amount of Bonds then Outstanding unless the proceeds of such disposition are sufficient to pay the principal of and premium, if any, and interest on all of the Bonds then Outstanding and the proceeds are used for such purpose; provided, however, that the City may grant easements, licenses or permits across, over or under parts of any of the Systems for streets, roads and utilities as will not adversely affect the use of the Systems and provided, further, that upon compliance with the provisions of this Section the City may sell or otherwise dispose of any property constituting a part of any of the Systems which is either no longer needed or useful therefor or is replaced from the proceeds of such disposition and any other necessary moneys with property serving the same or similar function. No such property shall be sold or otherwise disposed of unless there is filed with the Trustee a certificate of the City, signed by its City Manager, stating that such property is no longer needed or useful in the operation of the applicable System or will be replaced with property serving the same or similar function, and, if the proceeds to be received for such property shall exceed $[500,000], there shall also be filed with the City and the Trustee a certificate of the Consulting Engineer stating that such property is no longer needed or useful in the operation of the applicable System or will be replaced with property serving the same or similar function. Any proceeds to be received from such sale or disposition not used to replace such property shall be, if the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, transferred to the Trustee for deposit in any Series Debt Service Reserve Account and otherwise any such proceeds shall be deposited in the Improvement and Redemption Fund.

Section 808. Creation of Liens. The City shall not create or suffer to be created any lien or charge upon any of the Systems or any part thereof or any lien or charge upon the Revenues and other funds pledged herein ranking equally with or prior to the lien and charge of the Bonds, except as provided in this Agreement. The City shall pay or cause to be discharged, or shall make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials and supplies within 60 days after the same become due and all governmental charges when the same become due that, if unpaid, might by law become a lien upon any of the Systems, their revenues or any part thereof. Anything herein to the contrary notwithstanding, the City may contest in good faith any such lien or charge, in which event it may permit such lien or charge to remain unsatisfied and undischarged during the period of such contest and any appeal therefrom unless by such action in the opinion of the Trustee the lien of this Agreement on any part of the Revenues pledged herein shall be endangered or any part of any of the Systems shall be subject to loss or forfeiture, in either of which events such lien or charge shall be promptly satisfied or secured by posting with the Trustee or an appropriate court of record a bond in form satisfactory to the Trustee.

Section 809. Insurance. The City shall continuously maintain insurance against such risks as are customarily insured against by other public bodies owning and operating similar systems, paying as the same become due all premiums with respect thereto, including without limitation: [SUBJECT TO REVIEW]

(a) Insurance in the amount of the actual cash value for buildings and other structures and full replacement cost for equipment constituting insurable portions of the Systems against loss or damage by fire and lightning, with broad form extended coverage including damage by windstorm, explosion, aircraft, smoke, sprinkler leakage, vandalism, malicious mischief and such other risks as are normally included within such coverage (limited only as may be provided in the standard form for such coverage at the time in use in the Commonwealth). The determination of replacement cost shall be made by the Consulting Engineer upon the issuance or renewal of any policy of insurance required by this subsection.

(b) Comprehensive general liability insurance with a combined single limit in an amount sufficient per year (based on recommendations of the City's insurance carrier) against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of its use, arising out of the ownership, maintenance, operation or use of the Systems.

(c) Comprehensive automobile liability insurance with a combined single limit in an amount sufficient per year (based on recommendations of the City's insurance carrier) against liability for bodily injury, including death resulting therefrom, and for damage to property, including loss of use thereof, arising out of the ownership or operation of motor vehicles by the City.

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

(e) Fidelity bonds on all members and employees of the City who have access to or custody of Revenues, receipts or other funds appertaining to any of the Systems, such bonds to be in such amounts as are customarily carried by other public bodies owning and operating similar facilities.

(f) Flood insurance in the amount of actual cash value of the Systems, to the extent such coverage is reasonably available and at a reasonable cost.

All such insurance shall be taken out and maintained with generally recognized responsible insurers selected by the City and reasonably acceptable to the Trustee and may be written with deductible amounts comparable to those on similar policies carried by other public bodies owning and operating similar facilities. In lieu of insurance written by commercial insurance companies, the City may maintain a program of self-insurance or participate in group risk financing programs, including without limitation sponsored insurance programs, risk pools, risk retention groups, purchasing groups and captive insurance companies, and in state or federal insurance programs; provided, however, that, at the request of the Trustee, the City shall obtain a favorable written opinion of a Qualified Independent Consultant that such alternative is reasonably acceptable under all the circumstances. If any such insurance is not maintained with an insurer licensed to do business in the Commonwealth or placed pursuant to the requirements of the Virginia Surplus Lines Insurance Law (Chapter 48, Title 38.2, Virginia Code) or any successor provision of law, the City shall provide evidence reasonably satisfactory to the Trustee that such insurance is enforceable under the laws of the Commonwealth. In each policy, other than policies of workers' compensation insurance, the Trustee shall be named as an additional insured.

All such policies shall be deposited with the Trustee, provided that in lieu of such policies there may be deposited with the Trustee a certificate or certificates of the respective insurers or of an insurance consultant attesting the fact that the insurance required by this Section is in full force and effect. Prior to the expiration of any such policy, the City shall furnish the Trustee evidence satisfactory to the latter that the policy has been renewed or replaced or is no longer required by this Agreement. Unless a policy with such an undertaking is available only at a cost that the City, with the approval of the Trustee, determines to be unreasonable, each policy shall contain an undertaking by the insurer that such policy shall not be modified adversely to the interests of the Trustee or cancelled without at least 30 days' prior notice to the Trustee.

In lieu of separate policies the City may maintain blanket or umbrella policies having the same coverage required herein, in which event it shall deposit with the Trustee a certificate or certificates of the respective insurers evidencing such coverage and stating the amount of coverage provided with respect to the System or any part thereof.

To the extent losses for any damage to the System, however caused, are paid from the Net Proceeds of any insurance required by this Section, no claim shall be made and no suit shall be brought against the City by the Trustee or anyone else claiming by, through or under it.

Section 810. <u>Notice in the Event of Damage, Destruction, Condemnation and Loss of Title</u>. In case of any material damage to or destruction of any part of any of the Systems, the City shall give prompt notice thereof to the Trustee. In case of a taking of all or any part of any of the Systems or any right therein under the exercise of the power of eminent domain or any loss thereof because of failure of title thereto or the commencement of any proceedings or negotiations that might result in such a taking or loss, the City shall give prompt notice to the Trustee. Each such notice shall be in writing and describe generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 811. <u>Damage, Destruction, Condemnation and Loss of Title</u>. If all or any part of any of the Systems is destroyed or damaged by fire or other casualty, condemned or lost by failure of title, and the City shall not have exercised its option to prepay the Bonds (in whole or in part) pursuant to Section 401 and the respective Supplemental Agreement (if and as such option is available), the City shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage, destruction, condemnation or loss of title with such alterations and additions as the City may determine and as will not impair the capacity or character of the applicable System for the purpose for which it then is being used or is intended to be used. The City may apply so much as may be necessary of the Net Proceeds received on account of any such damage, destruction, condemnation or loss of title 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 City shall pay so much of the cost as may be in excess of such Net Proceeds from any legally available funds. Any balance of such Net Proceeds remaining after payment of the cost of such restoration shall be applied to the fullest extent possible to the prepayment of the Bonds pursuant to the provisions of Section 401 and any amount remaining shall be deposited in the Revenue Fund.

Section 812. <u>Records and Accounts; Inspections and Reports</u>. The City shall keep proper books of records and accounts separate from any of its other records and accounts, showing complete and correct entries of all transactions relating to any of the Systems, and the Trustee shall have the right at all reasonable times to inspect each of the Systems and all records, accounts and data relating thereto. The City shall also cause a certified audit of its records and accounts to be made by an independent certified public accountant at the end of each Fiscal Year that shall reflect in reasonable detail the financial condition and record of operation of the Systems. The City shall cause the Consulting Engineer at least once every three years to inspect each of the Systems and make a written report thereof, which shall include its findings and recommendations as to the maintenance of the Systems and the construction of additions, extensions and improvements to the Systems and capital replacements thereof. Such Consulting Engineer's reports shall be completed in sufficient time so that the City may take into account any recommendations thereof in preparing its next Annual Budget. Promptly upon receipt of each audit report and Consulting Engineer's report, copies thereof shall be filed with the Trustee.

Section 813. <u>Agreements for Contracted Services</u>. (a) The City may enter into agreements for Contracted Services for the benefit of any of the Systems, provided that the City specifies the items payable as the Debt Service Component, Operating Component or Remaining Component of the Cost of Contracted Services and provided, further, that the City shall not enter into any agreement that would create a Senior Debt Service Component or Subordinate Debt Service Component unless the City complies with the applicable provisions of ARTICLE III.

(b) The City shall faithfully fulfill all lawful requirements of all such agreements and shall require all other parties thereto to fulfill their lawful obligations thereunder.

(c) The City Manager or the Director of Finance shall determine in writing on or before the effective date of any such agreement (i) the amounts and due dates of any Debt Service Component, Operating Component and Remaining Component of the Cost of Contracted Services payable by the City under such service agreement and (ii) the interest and principal portions of any Debt Service Components.

ARTICLE IX

DEFEASANCE OF BONDS

Section 901. <u>Defeasance of Bonds</u>. If (a) all Bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Agreement or have been duly called for redemption or irrevocable instructions to call the Bonds or to pay them at maturity have been given by the City to the Trustee and (b) the Trustee holds cash, noncallable Government Obligations or, if permitted by the laws of the Commonwealth, noncallable Government Certificates or noncallable Defeased Obligations, the principal of and premium, if any, and interest on which at maturity will be sufficient (i) to redeem in accordance with the relevant Sections hereof and in any applicable Supplemental Agreement all Bonds that have been called for redemption, or for which irrevocable instructions for call for redemption have been given, on the date fixed for such redemption, (ii) to pay at maturity all Bonds not irrevocably called for redemption, (iii) to pay interest accruing on all Bonds prior to their redemption or payment at maturity, (iv) to make all required arbitrage rebate payments to the United States of America and (v) to pay to the Trustee its reasonable fees and expenses and any other fees and expenses for which the City is responsible under this Agreement, then the Trustee shall, at the expense of the City, (x) cancel and discharge this Agreement, (y) execute and deliver to the City such instruments in writing as shall be requisite to cancel the lien hereof and (z) assign and deliver to the City any property at the time subject to this Agreement that may then be in its possession, except funds or securities in which such funds are invested that are held by the Trustee for the payment of principal of or premium, if any, or interest on the Bonds.

Bonds for the payment or redemption of which cash, noncallable Government Obligations or, if permitted by the laws of the Commonwealth, noncallable Government Certificates or noncallable Defeased Obligations, the principal of and premium, if any, and interest on which will be sufficient therefor, shall have been deposited with the Trustee (whether upon or prior to the date of their maturity or the date fixed for their redemption) shall be deemed to be paid, shall no longer be entitled to the benefits provided by this Agreement and shall be deemed to be no longer Outstanding; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, irrevocable notice of such redemption (though such notice and instructions may be conditioned on the deposit of sufficient funds with the Trustee or an escrow agent to effect such redemption) shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

ARTICLE X

DEFAULT AND REMEDIES

Section 1001. <u>Events of Default</u>. Each of the following events shall be an Event of Default:

(a) Default by the City in the due and punctual payment of any interest on any Bond and the continuation of such default for a period of five (5) Business Days;

(b) Default by the City in the due and punctual payment of the principal of or premium, if any, on any Bond (whether at maturity, by acceleration, call for redemption or otherwise) and the continuation of such default for a period of five (5) Business Days;

(c) Subject to the remedial provisions of Section 602(b), failure of the City to observe and perform any of its other covenants, conditions or agreements under this Agreement or in the Bonds for a period of 60 days after written notice from the Trustee or holders of at least 25% of the aggregate principal amount of Bonds then Outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 60 day period, failure of the City to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(d) The City shall fail to make any required payment with respect to any Senior Debt Service Component, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture, or instrument under which there may be issued, or by which there may be secured or evidenced any Senior Debt Service Component, shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default, such Senior Debt Service Component shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within 30 days, or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Senior Debt Service Component is commenced, the City in good faith shall commence proceedings to contest the obligation to pay or the existence of such Senior Debt Service Component;

(e) Destruction or damage to any substantial part of any of the Systems to the extent of impairing their efficient operation or adversely affecting Revenues to a substantial degree and failure for any reason promptly to repair, replace or reconstruct the same (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability of such repair, replacement or reconstruction, the lack of funds therefor or for any other reason);

(f) (i) Commencement by the City of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (ii) consent by the City to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for the City, any of the Systems or any substantial part of the City's property, or to the taking possession by any such official to any substantial part of the City's property, (iii) making by the City of any assignment for the benefit of creditors or (iv) taking of corporate action by the City in furtherance of any of the foregoing;

(g) The entry of any (i) decree or order for relief by a court having jurisdiction over the City or its property in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, (ii) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for the City, any of the Systems or any substantial part of the City's property or (iii) order for the termination or liquidation of the City or its affairs; and

(h) Failure of the City within 60 days after the commencement of any proceedings against it under the federal bankruptcy laws or any other applicable federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of subsections (c), **Error! Reference source not found.** and (e) of this Section are subject to the limitation that if by reason of force majeure the City is unable in whole or in part to observe and perform any of its covenants, conditions or agreements hereunder, other than its obligations contained in Section 602, Section 801, Section 807 and Section 809, the City shall not be deemed in default during the continuance of such disability. The term "force majeure" as used herein shall include, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; pandemics; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery or transmission lines; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City. The City shall, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to it.

Section 1002. Acceleration. Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of at least 25% of the aggregate principal amount of Bonds then Outstanding shall), by notice to the City, declare the entire unpaid principal of and premium, if any, and interest on the Bonds due and payable, and, thereupon, the entire unpaid principal of and premium, if any, and interest on the Bonds shall forthwith become due and payable. Upon any such declaration, the City shall forthwith pay to the holders of the Bonds the entire unpaid principal of and premium, if any, and accrued interest on the Bonds, but only from the Revenues and other funds herein specifically pledged for such purpose.

Section 1003. Other Remedies; Rights of Bondholders. Upon the occurrence and continuation of an Event of Default the Trustee may (and if requested by the holders of at least 25% of the aggregate principal amount of Outstanding Bonds and if indemnified in accordance with prevailing industry standards shall) proceed to protect and enforce its rights and the rights of Bondholders by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any covenant or agreement herein contained; provided, however, that nothing herein contained shall be construed to give the Trustee or any Bondholder authority to compel a foreclosure or sale of any of the Systems or any part thereof.

No remedy conferred by this Agreement upon or reserved to the Trustee or Bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or Bondholders hereunder or now or hereafter existing at law or in equity or by statute.

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 and power may be exercised from time to time as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Trustee or Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 1004. Right of Bondholders To Direct Proceedings. Anything in this Agreement to the contrary notwithstanding, the holders of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Agreement or any other proceedings hereunder; provided, however, that such direction shall not be otherwise than in accordance with the provisions of law and of this Agreement.

Section 1005. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or made by the Trustee and the fees and the expenses of the City in carrying out this Agreement, be deposited in the Revenue Bond Fund and the Senior Debt Service Component Fund and applied as follows and for no other purpose:

(a) Unless the principal of all the Senior Debt shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Senior Debt, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Debt; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Senior Debt that shall have become due (other than Senior Debt called for redemption for the payment of which moneys are held pursuant to the provisions of this Agreement), in the order of their due dates, with interest on such Senior Debt at the respective rates specified therein from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Senior Debt due on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal and premium, if any, ratably, according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Debt.

(b) If the principal of all the Senior Debt shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Senior Debt, including, to the extent permitted by law, interest on overdue installments of interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Debt.

(c) If the principal of all the Senior Debt shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of subsection (b) of this Section in the event that the principal of all the Senior Debt shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of subsection (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) on which such application is to be made and on such date interest on the amounts of principal to be paid and on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date.

Whenever there are moneys remaining after application to the Revenue Bond Fund and the Senior Debt Service Component Fund for the payment of Senior Debt, the Trustee shall apply such remaining moneys, allocated in a similar manner as provided above, to the payment of Subordinate Debt.

Whenever the principal of and premium, if any, and interest on all Senior Debt have been paid under the provisions of this Section, all payments required by the terms of any Supplemental Agreement have been paid and all expenses and charges of the Trustee have been paid, any balance remaining in the several Funds created by this Agreement shall be paid to the City as provided in Section 616.

Section 1006. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Agreement or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee may be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondholder, and any recovery of judgment shall be for the equal benefit of the holders of the Outstanding Bonds.

Section 1007. Limitation on Suits. Except to enforce the rights given under Section 1003 and Section 1004, no Bondholder shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Agreement or for the execution of any trust thereof or any other remedy hereunder, unless (a) a default has occurred and is continuing of which the Trustee has been notified as provided in Section 1101, or of which by such Section it is deemed to have notice, (b) such default has become an Event of Default and the holders of a majority of the aggregate principal amount of Bonds then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such requesting Bondholders have offered to the Trustee indemnity as provided in Section 1101, (d) the Trustee has thereafter failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its, his or their own name or names, (e) no direction inconsistent with such written request has been given to the Trustee by the holders of at least 25% in aggregate principal amount of Bonds then Outstanding, and (f) notice of such action, suit or proceeding is given to the Trustee; it being understood and intended that no one or more Bondholders shall have any right in any manner whatsoever to affect, disturb or prejudice this Agreement by its, his or their action or to enforce any rights hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of the holders of all Bonds then Outstanding. The notification, request and offer of indemnity set forth above, at the option of the Trustee, shall be conditions precedent to the execution of the powers and trusts of this Agreement and to any action or cause of action for the enforcement of this Agreement or for any other remedy hereunder.

Section 1008. Unconditional Right To Receive Principal, Premium and Interest. Nothing in this Agreement shall, however, affect or impair the right of the Trustee or any Bondholder to enforce, by action at law, payment of the principal of or premium, if any, or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or upon the same being declared due prior to maturity as herein provided, or the obligation of the City to pay the principal of and premium, if any, and interest on each of the Bonds issued hereunder to the respective holders thereof at the time, place, from the source and in the manner herein and in the Bonds expressed.

Section 1009. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the City and the Trustee shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 1010. Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default hereunder or any action taken pursuant to any Event of Default and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so on the request of the holders of (a) a majority in aggregate principal amount of Bonds then Outstanding in respect of which default in the payment of principal and/or premium, if any, and/or interest exists, or (b) a majority in aggregate principal amount of Bonds then Outstanding in the case of any other default; provided, however, that:

(i) there shall not be waived without the consent of the holders of all Bonds then Outstanding (A) any Event of Default in the payment of the principal of any Outstanding Bonds (whether at maturity or by sinking fund redemption) or (B) any default in the payment when due of the interest on any such Bonds unless, prior to such waiver or rescission, there shall have been paid or provided for all arrears of interest with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest, all arrears of principal and premium, if any, and all expenses of the Trustee in connection with such default, and in case of any such waiver or rescission or in the case of any discontinuance, abandonment or adverse determination of any proceeding taken by the Trustee on account of any such default, the City, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, and

(ii) no declaration of maturity under Section 1002 made at the request of the holders of at least 25% of the aggregate principal amount of Bonds then Outstanding shall be rescinded unless requested by the holders of at least 25% of the aggregate principal amount of Bonds then Outstanding.

No such waiver or rescission shall extend to any subsequent or other default or impair any right consequent thereon.

ARTICLE XI

TRUSTEE PROVISIONS

Section 1101. **Acceptance of Trusts and Obligations.** The Trustee hereby accepts the trusts and obligations imposed upon it by this Agreement and agrees to perform such trusts and obligations, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Agreement against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and as a corporate trustee ordinarily would perform such duties under a corporate indenture. Upon the occurrence and continuation of an Event of Default (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Agreement and use the same degree of care and skill in their exercise as a prudent person ordinarily would exercise and use under the circumstances in the conduct of their own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to act upon the opinion or advice of its counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trust hereof. The Trustee may act on an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction by it taken or omitted to be taken in good faith and in reliance on such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds (except in respect to the certificate of the Trustee endorsed on the Bonds) or for the recording, re-recording, filing or re-filing of any financing or continuation statement or any other document or instrument, or for insuring the System, collecting any insurance moneys, or for the validity of the execution by the City of this Agreement or for any Supplemental Agreement or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the City except as hereinafter set forth. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Section 702.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The bank or trust company acting as Trustee and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in the Bonds and may join in any action which any bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee. To the extent permitted by law, such bank or trust company may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not the Trustee.

(e) The Trustee shall be protected in acting on any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Agreement on the request or authority or consent of any person who at the time or making such request or giving such authority or consent is the owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely on a certificate signed on behalf of the City by its City Manager and attested by the City Clerk under its seal, or such other person or persons as may be designated for such purposes by resolution of the City, as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section, or of which by said subsection it is deemed to have notice, may also accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of the City Clerk under its seal to the effect that a resolution in the form therein set forth has been adopted by the City as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty, and the Trustee shall not be answerable for other than its gross negligence or willful default.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder, except failure by the City to cause to be made any of the payments to the Trustee required to be made by ARTICLE VI, by a draw of moneys from the Debt Service Reserve Fund or failure by the City to file with the Trustee any document required by this Agreement to be so filed, unless the Trustee shall be notified of such default by the City or by the holders of at least 25% of the aggregate principal amount of Bonds then Outstanding.

(i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect the Systems and all books, papers and records of the City pertaining to the Systems and any Senior Debt, and to make such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety with respect to the execution of its rights and obligations hereunder.

(k) Notwithstanding any other provision of this Agreement, the Trustee shall have the right, but shall not be required, to demand, as a condition of any action by the Trustee in respect of the authentication of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Agreement, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that required by the terms hereof.

(l) Before taking any action under this Agreement, the Trustee may require that satisfactory indemnity be furnished to it for the reimbursement of all expenses to which it may be put and to protect it against all liability by reason of any action so taken, except liability that is adjudicated to have resulted from its gross negligence or willful default.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other moneys except to the extent required by this Agreement or law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

Section 1102. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment of and reimbursement for reasonable fees for its services and all expenses reasonably incurred by it hereunder, including the reasonable fees and disbursements of its counsel.

Section 1103. Intervention by Trustee. In any judicial proceeding to which the City is a party and which in the opinion of the Trustee has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of Bondholders and, subject to Section 1101, shall do so if requested by the holders of at least 25% of the aggregate principal amount of Bonds then Outstanding.

Section 1104. Merger or Consolidation of Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party shall be and become successor Trustee hereunder and vested with all the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 1105. Resignation by Trustee. The Trustee may at any time resign from the trusts hereby created by giving not less than 30 days' notice to the City, and each owner of Bonds then Outstanding. Such resignation shall take effect upon the appointment of a successor or temporary Trustee by the Bondholders, the City or a court of competent jurisdiction.

Section 1106. Removal of Trustee. The Trustee may be removed at any time (a) by the owners of a majority in aggregate principal amount of Bonds then Outstanding by an instrument or concurrent instruments in writing delivered to the Trustee and the City or (b) by the City by notice in writing given by an Authorized City Representative to the Trustee at least 60 days before the removal date; provided, however, that the City shall have no right to remove the Trustee during any time when an Event of Default has occurred or is continuing or when an event has occurred and is continuing or condition exists that with the giving of notice or the passage of time, or both, would be an Event of Default. The removed Trustee shall return to the City the amount of the Trustee's annual fee allocable to the portion of the current year remaining after the removal date. Notwithstanding the foregoing, nothing contained in this Agreement shall relieve the City of its obligation to pay the Trustee's fees and expenses incurred to the date of such removal. Such removal shall take effect upon the appointment of a successor Trustee or the earlier appointment of a temporary Trustee by the Bondholders, the City or a court of competent jurisdiction.

Section 1107. Appointment of Successor Trustee by Bondholders; Temporary Trustee. In the event the Trustee hereunder shall resign, be removed, be dissolved, be in course of dissolution or liquidation or otherwise become incapable of acting hereunder, or if it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, then unless an Event of Default has occurred and is continuing, a successor shall be promptly appointed by the City by an instrument signed by its City Manager and attested by the City Clerk under its seal. Copies of the instrument shall be promptly delivered by the Authority to the predecessor Trustee and to the Trustee so appointed and notice given to the Bondholders. If an Event of Default has occurred and is continuing, a successor may be appointed by the owners of a majority in aggregate principal amount of the Bonds then Outstanding by an instrument or instruments in writing filed with the City Manager, signed by such Bondholders, or their attorneys-in-fact duly authorized in writing. Copies of each instrument shall be promptly delivered by the City to the predecessor Trustee and to the Trustee so appointed and notice given to the other Bondholders. If no successor Trustee has accepted appointment in the manner provided in Section 1108 hereof within 60 days after the Trustee has given notice of resignation to the City and the Bondholders, the Trustee may petition any court of competent jurisdiction for the appointment of a temporary successor Trustee, provided that any Trustee so appointed shall immediately and without further act be superseded by a Trustee appointed by the City or the Bondholders as provided above. Every such Trustee appointed pursuant to this Section shall be, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms, (a) a bank or trust company in the Commonwealth of Virginia, in good standing and having a combined capital, surplus and undivided profits of not less than $100,000,000 or (b) a subsidiary trust company under the provisions of Section 6.2-1048 of Virginia Code or any successor provision of law, and whose capital, surplus and undivided profits, together with that of its parent bank or bank holding company, as the case may be, is not less than $100,000,000, if such a bank, trust company or subsidiary trust company, willing and able to accept the trust on reasonable or customary terms can, with reasonable effort, be located.

Section 1108. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the City an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act or deed of conveyance, shall become fully vested with all the properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the request of the City, execute and deliver an instrument transferring to such successor Trustee all the properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the properties, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

Section 1109. Trustee Protected in Relying on Agreements, etc. The resolutions, opinions, certificates and other instruments provided for in this Agreement may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the release of property and the withdrawal of cash hereunder or the taking of any other action by the Trustee as provided hereunder.

Section 1110. Successor Trustee as Paying Agent, Registrar and Custodian of Funds. In the event of a change in the office of Trustee, the predecessor Trustee that has resigned or been removed shall cease to be paying agent and registrar for the Bonds and custodian of the funds created hereunder, and the successor Trustee shall become such paying agent and custodian.

ARTICLE XII

SUPPLEMENTAL AGREEMENTS

Section 1201. Supplemental Agreements Not Requiring Consent of Bondholders. The City and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into

Supplemental Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in this Agreement or any Supplemental Agreement;

(b) To insert such provisions clarifying matters or questions arising under this Agreement as are necessary or desirable and are not contrary to or inconsistent with this Agreement as theretofore in effect;

(c) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the Bondholders or the Trustee or either of them;

(d) To modify, amend or supplement this Agreement in such manner as required to reflect any change in applicable law, provided that such modification, amendment or supplement does not, in the opinion of the Trustee (which opinion may be based upon an Opinion of Counsel), materially adversely affect the holders of all Outstanding Bonds;

(e) To add to the covenants and agreements of the City in this Agreement other covenants and agreements to be observed by the City;

(f) To modify, amend or supplement this Agreement in such manner as required to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or any state securities or "Blue Sky" law, and, if they so determine, to add to this Agreement such other terms, conditions and provisions as may be required by the Trust Indenture Act of 1939, as amended, or similar federal statute or state securities law;

(g) To authorize the issuance of and to secure one or more Series of Bonds pursuant to ARTICLE III;

(h) To modify, amend or supplement this Agreement in such manner as required to permit the City to comply with the provisions of the Code relating to the rebate to the United States of America of earnings derived from the investment of the proceeds of Bonds, provided that such modification, amendment or supplement does not, in the opinion of the Trustee (which opinion may be based upon an Opinion of Counsel), materially adversely affect the holders of all Outstanding Bonds;

(i) To modify, amend or supplement this Agreement in such manner as may be required by a Rating Agency to maintain its rating on the Bonds, provided that such modification, amendment or supplement does not prejudice in any material respect the rights of the holders of the Bonds then Outstanding;

(j) To modify, amend or supplement this Agreement to implement any covenants or agreements contemplated by Section 804; and

(k) To modify, amend or supplement this Agreement in any manner that the Trustee concludes (which conclusion may be based upon an Opinion of Counsel) is not materially adverse to the holders of all Bonds then Outstanding.

Section 1202. Supplemental Agreements Requiring Consent of Bondholders. Exclusive of Supplemental Agreements covered by Section 1201 and subject to the terms and provisions contained in this Section, the holders of at least a majority in aggregate principal amount of Bonds Outstanding at the time such consent is given (or, in case less than all of the Bonds then Outstanding are affected by the modification or amendment, the holders of at least a majority in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given) shall have the right from time to time, notwithstanding any other provision of this Agreement, to consent to the execution by the City and the Trustee of such other agreement or agreements supplemental hereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Agreement and any Supplemental Agreement; provided, however, that if such modification or amendment will not, by its terms, take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. Notwithstanding the foregoing, no modification or amendment contained in any Supplemental Agreement shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) an extension of the maturity of the principal of or the interest on any Bond, (b) a reduction in the principal amount of, or premium, if any, on any Bond or the rate of interest thereon, (c) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bond, (d) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Agreements.

If at any time the City shall request the Trustee to enter into any such Supplemental Agreement, the Trustee shall cause notice of the proposed execution of such Supplemental Agreement to be sent by registered or certified mail to the registered owner of each Bond at his address as it appears on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Agreement and shall state that a copy thereof is on file at the corporate trust office of the Trustee for inspection by all Bondholders. If, within 60 days or such longer period as shall be prescribed by the City following the giving of such notice, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds, or in the case of (a) through (e) of the preceding paragraph of this Section, the holders of all affected Outstanding Bonds shall have consented to and approved the execution thereof as herein provided, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the City from executing such Supplemental Agreement. Upon the execution of any such Supplemental Agreement, this Agreement shall be and be deemed to be modified and amended in accordance herewith.

Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of consent or any calculation of Outstanding Bonds provided for in this Agreement. At the time of any such calculation, the City shall furnish the Trustee a certificate of an officer of the City, upon which the Trustee may rely, describing all Bonds so to be excluded.

In connection with any City request of the Trustee to enter into a Supplemental Agreement requiring the consent of Bondholders, the Trustee shall maintain a record book recording the consent of the owner of each Bond. Any subsequent owner of a Bond for which consent has been given by a previous owner shall take ownership of such Bond subject to such consent and shall be bound by such consent.

Notwithstanding any other provision of this Agreement to the contrary, the City and the Trustee may enter into any Supplemental Agreement upon receipt of the consent of the holders of all Outstanding Bonds.

Section 1203. Opinion of Counsel Required. The Trustee shall not execute any Supplemental Agreement unless there shall have been filed with the Trustee an Opinion of Counsel stating that such Supplemental Agreement is authorized or permitted by this Agreement and complies with its terms and that upon execution it will be a valid and binding obligation of the City.

Section 1204. Trustee's Obligation Regarding Supplemental Agreements. The Trustee shall not unreasonably refuse to enter into any Supplemental Agreement permitted by this Article.

ARTICLE XIII

MISCELLANEOUS

Section 1301. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument (collectively, a "Consent") required by this Agreement to be executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of a Consent or of the writing appointing any such agent shall be sufficient for any of the purposes of this Agreement and shall be conclusive in favor of the City with regard to any action taken under the Consent if the fact and date of the execution by any person of any such writing is proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgements within such jurisdiction that the person signing such writing acknowledged before such officer the execution thereof, or by affidavit of any witness to such execution.

Section 1302. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Agreement or the Bonds is intended or shall be construed to give to any person other than the parties hereto and the holders of the Bonds any legal or equitable right, remedy or claim under or in respect to this Agreement or any covenants, conditions and agreements herein contained since this Agreement and all of the covenants, conditions and agreements hereof are intended to be and are for the sole and exclusive benefit of the parties hereto and the holders of the Bonds as herein provided.

Section 1303. Limitation of Liability of Council, etc. No covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any present or future member of the Council or officer, employee or agent of the City in their individual capacity, and neither the members of the Council nor any officer of the City executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No member of the Council or officer, employee, agent or advisor of the City shall incur any personal liability with respect to any other action taken by such person pursuant to this Agreement, the Charter or the Public Finance Act, provided such member, officer, employee, agent or advisor acts in good faith.

Section 1304. Notices. Unless otherwise provided herein, all demands, notices, approvals, consents, requests, opinions and other communications hereunder 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 (a) to the City, at 427 Patton Street, 4th Floor, Danville, Virginia 24541 (Attention: City Manager), or (b) to the Trustee, at Three James Center, 1051 East Cary Street, Suite 600, Richmond, Virginia 23219 (Global Corporate Trust Services). The City and the Trustee may, by notice given hereunder, designate 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 1305. Successors and Assigns. This Agreement be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 1306. Severability. If any provision of this Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof, and this Agreement shall be construed and enforced as if such illegal provision had not been contained herein.

Section 1307. Applicable Law. This Agreement shall be governed by the applicable laws of the Commonwealth.

Section 1308. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 1309. Patriot Act and U.S.A. Freedom Act Requirements of Trustee. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, the Trustee may request documentation to verify such non-individual person's formation and existence as a legal entity. The Trustee may also request financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

IN WITNESS WHEREOF, the City and the Trustee have caused this Agreement to be executed in their respective corporate names as of the date first above written.

CITY OF DANVILLE, VIRGINIA

By:________________________________
Name:______________________________
Title:_______________________________

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By:________________________________
Name:______________________________
Title:_______________________________

DRAFT
Hunton Andrews Kurth
February 28, 2023

FIRST SUPPLEMENTAL AGREEMENT OF TRUST

between

CITY OF DANVILLE, VIRGINIA

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

Dated as of [_______ 1, 2023]

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THIS FIRST SUPPLEMENTAL AGREEMENT OF TRUST dated as of [_______] 1, 2023 (the "First Supplemental Agreement"), by and between the **CITY OF DANVILLE, VIRGINIA**, a political subdivision of the Commonwealth of Virginia (the "City"), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking corporation, as trustee (in such capacity, together with any successor in such capacity, herein called the "Trustee"), provides:

WHEREAS, the City and the Trustee have entered into an Agreement of Trust dated as of [_________ 1, 2023] (the "Master Trust Agreement"), to provide for financing or refinancing improvements and extensions to the Systems (as defined in the Master Trust Agreement) by the issuance of bonds payable solely from Revenues (as defined in the Master Trust Agreement);

WHEREAS, pursuant to and in accordance with the Master Trust Agreement, the City has determined to issue its Taxable Utility System Revenue Bond, Series 2023, in the principal amount of $[________] (the "Series 2023 Bond"), to (a) finance capital expenditures relating to the City's water and electric systems, including, without limitation, distribution infrastructure improvements for the water system and the electric system (collectively, the "Series 2023 Project"), and (b) pay related costs of issuance of the Series 2023 Bond;

WHEREAS, the City has entered into a Local Bond Sale and Financing Agreement dated as of [_______ __, 2023] (the "2023 Financing Agreement"), with the Virginia Resources Authority ("VRA") for the sale of the Series 2023 Bond to, and the purchase of the same by, VRA; and

WHEREAS, the City has taken all necessary action to make the Series 2023 Bond, when authenticated by the Trustee and issued by the City, a valid and binding limited obligation of the City and to constitute this First Supplemental Agreement a valid and binding agreement authorizing and providing for the details of the Series 2023 Bond;

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto agree, as follows:

ARTICLE I

FIRST SUPPLEMENTAL AGREEMENT

Section 1.101 Authorization of First Supplemental Agreement. This First Supplemental Agreement is authorized and executed by the City and delivered to the Trustee pursuant to and in accordance with Articles III and XII of the Master Trust Agreement. All terms, covenants, conditions and agreements of the Master Trust Agreement shall apply with full force and effect to the Series 2023 Bond and to the holder thereof, except as otherwise provided in this First Supplemental Agreement.

Section 1.102 Definitions. Except as otherwise defined in this First Supplemental Agreement, terms defined in the Master Trust Agreement are used in this First Supplemental Agreement with the meanings assigned to them in the Master Trust Agreement. In addition, the following words as used in this First Supplemental Agreement shall have the following meanings unless a different meaning clearly appears from the context:

"First Supplemental Agreement" shall mean this First Supplemental Agreement of Trust between the City and the Trustee, which supplements the Master Trust Agreement.

"Local Account" shall have the meaning assigned to such term in the 2023 Financing Agreement.

"Registrar" shall mean the Trustee or its successors serving as such hereunder.

"Series 2023 Bonds" shall mean the City's $[_____] Taxable Utility System Revenue Bond, Series 2023, authorized to be issued pursuant to this First Supplemental Agreement.

"Series 2023 Project" shall have the meaning set forth in the recitals hereto.

"VRA" shall have the meaning set forth in the recitals hereto.

"VRA Trustee" shall have the meaning assigned to such term in the 2023 Financing Agreement.

"2023 Financing Agreement" shall have the meaning set forth in the recitals hereto.

Section 1.103 Reference to Articles and Sections. Unless otherwise indicated, all references herein to particular articles or sections are references to articles or sections of this First Supplemental Agreement.

ARTICLE II

AUTHORIZATION, DETAILS AND FORM OF SERIES 2023 BOND

Section 1.201 Authorization of Series 2023 Bond. There are hereby authorized to be issued a utility system revenue bond of the City in the principal amount of $[________], which shall be designated "Taxable Utility System Revenue Bond, Series 2023," to provide funds to finance all or a portion of the Cost of the Series 2023 Project (including related costs of issuance) of the Series 2023 Bond).

Section 1.202 Details of Series 2023 Bond. The Series 2023 Bond shall be dated [_______, 2023], shall be issued as a single, registered bond and shall be in the principal amount of $[______]. The Series 2023 Bond shall bear interest at rates per year calculated on the basis of a 360-day year of twelve 30-day months, payable semiannually on April 1 and October 1, beginning [October 1, 2023], and shall mature in principal installments on October 1 in years and amounts and bearing interests at such rates as follows:

Installment Date (October 1)	Installment Amount	Interest Rate
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		

Section 1.203 Payment Provisions of Series 2023 Bond; Appointment of Registrar.

(a) The Series 2023 Bond shall be payable solely from Revenues, and nothing in the 2023 Financing Agreement, the Series 2023 Bond or this First Supplemental Agreement shall be deemed to create or constitute a general obligation indebtedness or pledge of the faith and credit of the Commonwealth of Virginia (the "Commonwealth") or any political subdivision thereof, including the City. All payments due on the Series 2023 Bond shall be payable as provided in the 2023 Financing Agreement in lawful money of the United States of America. As set forth in the 2023 Financing Agreement and, to the extent applicable, the City shall pay "Supplemental Interest" and other charges as provided therein. Payments shall be made, at the option of the registered owner, (i) by check or draft mailed to the registered owner at its address as it appears on the registration books kept for that purpose by the Trustee, as Registrar, on the 15th day of the month preceding the payment date or (ii) by wire transfer pursuant to the most recent wire instructions received by the Trustee, as Registrar, from such registered owner. The City intends that amounts constituting interest on the Series 2023 Bond will be included in the gross income of the holder thereof for federal income tax purposes.

(b) The Trustee is hereby appointed Registrar for the Series 2023 Bond. Except as otherwise provided herein, the Series 2023 Bond shall be payable, executed, authenticated, registrable, exchangeable and secured, all as set forth in the Master Trust Agreement.

Section 1.204 Form of Series 2023 Bond. The Series 2023 Bond shall be in substantially the form set forth in Exhibit A, with such appropriate variations, omissions and insertions as are permitted or required by the Master Trust Agreement and this First Supplemental Agreement. The terms and provisions of the Series 2023 Bond that are set forth in Exhibit A shall be deemed to be incorporated into this First Supplemental Agreement as though fully set forth herein.

Section 1.205 Delivery of Series 2023 Bond. The Trustee shall authenticate and deliver the Series 2023 Bond when there shall have been delivered to the Trustee a Request for Authentication stating that there have been filed with or delivered to the Trustee all items required by Section 304 of the Master Trust Agreement.

ARTICLE III

PREPAYMENT OF SERIES 2023 BOND

Section 1.301 Prepayment of Series 2023 Bond. The Series 2023 Bond shall be subject to prepayment as set forth in Section 6.2 of the 2023 Financing Agreement. The notice provisions set forth in Section 402 of the Master Trust Agreement shall not apply to the Series 2023 Bond.

ARTICLE IV

APPLICATION OF PROCEEDS OF SERIES 2023 BOND

Section 1.401 Application of Proceeds of Series 2023 Bond. The net proceeds of the Series 2023 Bond ($[________]) shall be held in the Local Account to be disbursed in accordance with Section 4.3 of the 2023 Financing Agreement to be used to pay all or a portion of the Cost of the Series 2023 Project (including the related costs of issuance of the Series 2023 Bond). The Trustee hereunder shall be provided copies of any monthly reports and other statements provided to the City by VRA or the VRA Trustee with respect to the disbursements made from the Local Account. Any balance remaining in the Local Account upon completion of the Series 2023 Project shall be transferred in accordance with the provisions of the 2023 Financing Agreement and in a manner consistent with the provisions of Section 505 of the Master Trust Agreement.

ARTICLE V

SECURITY FOR SERIES 2023 BOND

Section 1.501 Security for Series 2023 Bond.

(a) The Series 2023 Bond shall be issued pursuant to the Master Trust Agreement and this First Supplemental Agreement and shall be equally and ratably secured under the Trust Agreement with any Additional Bonds issued pursuant to Article III of the Master Trust Agreement, without preference, priority or distinction of any Bonds over any other Bonds, as provided in the Master Trust Agreement.

(b) The Debt Service Reserve Fund shall not secure the Series 2023 Bond, and no debt service reserve fund or account has been established or funded in connection with the issuance of the Series 2023 Bond.

ARTICLE VI

MISCELLANEOUS

Section 1.601 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this First Supplemental Agreement or the Series 2023 Bond is intended or shall be construed to give to any person other than the parties hereto and the holder of Series 2023 Bond any legal or equitable right, remedy or claim under or in respect to this First Supplemental Agreement or any covenants, conditions and agreements herein contained since this First Supplemental Agreement and all of the covenants, conditions and agreements hereof are intended to be and are for the sole and exclusive benefit of the parties hereto and the holder of Series 2023 Bond as herein provided.

Section 1.602 Severability. If any provision of this First Supplemental Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof and this First Supplemental Agreement shall be construed and enforced as if such illegal provision had not been contained herein.

Section 1.603 Successors and Assigns. This First Supplemental Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 1.604 Applicable Law. This First Supplemental Agreement shall be governed by the applicable laws of the Commonwealth of Virginia.

Section 1.605 Counterparts. This First Supplemental Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the City and the Trustee have caused this First Supplemental Agreement to be executed in their respective corporate names as of the date first above written.

CITY OF DANVILLE, VIRGINIA

By:________________________________

Name:______________________________

Title:______________________________

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By:________________________________

Name:______________________________

Title:______________________________

EXHIBIT A

FORM OF SERIES 2023 BOND

Interest on this bond is not excludable from the gross income of the registered owner hereof for federal income tax purposes.

R-1 **[______ __, 2023]**

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF DANVILLE, VIRGINIA

TAXABLE UTILITY SYSTEM REVENUE BOND, SERIES 2023

The **City of Danville, Virginia** (the "City"), a political subdivision of the Commonwealth of Virginia (the "Commonwealth"), for value received, acknowledges itself in debt and promises to pay to Virginia Resources Authority, or its registered assigns or legal representative ("VRA"), solely from the sources hereinafter described and pledged to the payment of this bond the principal sum of __________________________ DOLLARS ($_________). Principal of this bond shall be payable in annual installments in the amounts and on the dates set forth in Schedule I attached hereto. Interest on this bond shall be payable on each April 1 and October 1, commencing _________, ____, computed on the basis of a 360-day year of twelve 30-day months at the rates set forth in Schedule I.

If any installment of principal of or interest on this bond is not paid to the registered owner of this bond within five days after its due date, the City shall pay to VRA a late payment charge in an amount equal to five percent (5.0%) of the overdue installment.

Subject to the provisions of the Local Bond Sale and Financing Agreement dated as of ____________, 2023 (the "Financing Agreement"), between VRA and the City, so long as this bond is held by or for the account of VRA or its registered assigns or legal representative, interest is payable by (i) check or draft mailed to the registered owner of this bond at the address that appears on the 15th day of the month preceding each interest payment date on the registration books kept by U.S. Bank Trust Company, National Association, who has been appointed as trustee, registrar and paying agent (together with any successor thereto, the "Trustee"), or (ii) wire transfer pursuant to the most recent wire instructions received by the Trustee from such registered owner, except that the final payment is payable upon presentation and surrender of this bond at the office of the Trustee. Principal of and premium, if any, and interest on this bond shall be payable in lawful money of the United States of America. In case any payment date on this bond shall not be a Business Day, then payment of principal, premium, if any, and interest need not be made on such date, but may be made on the next succeeding Business Day, and, if made on such next succeeding Business Day, no additional interest shall accrue for the period after such payment date.

This bond (a) has been authorized by an ordinance adopted by the Council of the City on September 6, 2022, and (b) is issued pursuant to (i) the Constitution and statutes of the

Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, (ii) a resolution adopted by the Council of the City on [March 21, 2023], (iii) the Financing Agreement and (iv) an Agreement of Trust dated as of [_____ __, 2023], between the City and the Trustee, as supplemented by a First Supplemental Agreement of Trust dated as of [_____ __, 2023] (collectively, the "Trust Agreement"). Additional bonds secured by a pledge of Revenues (as defined in the Trust Agreement) on a parity with this bond may be issued under the terms and conditions set forth in the Trust Agreement and the Financing Agreement. Reference is hereby made to the Trust Agreement for a description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the City and the Trustee, the rights of the holder of this bond and the terms upon which this bond is issued and secured. All capitalized terms used and not defined herein shall have the meanings set forth in the Trust Agreement and the Financing Agreement, as applicable.

Proceeds of this bond will be used to provide funds to (a) finance capital expenditures relating to the City's water and electric systems, including, without limitation, distribution infrastructure improvements for the water system and the electric system, and (b) pay the related costs of issuance of this bond.

This bond is a limited obligation of the City and payable solely from Revenues (except to the extent payable from the proceeds of this bond, income from investments, certain reserves and proceeds of insurance), which Revenues and other moneys have been pledged as described in the Trust Agreement to secure payment hereof. This bond shall not be deemed to constitute a general obligation indebtedness or pledge of the faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the City. Neither the Commonwealth of Virginia nor any political subdivision thereof, including the City, shall be obligated to pay the principal of or premium, if any, or interest on this bond or other costs incident thereto except from Revenues and other moneys pledged therefor, and neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any political subdivision thereof, including the City, is pledged to the payment of the principal of or premium, if any, or interest on this bond or other costs incident thereto.

If any failure of the City to pay all or any portion of any required payment of the principal of or premium, if any, or interest on this bond results in a withdrawal from or drawing on any VRA Reserve, the interest rates applicable to this bond shall be increased to interest rates sufficient to reimburse the VRA Reserve for any foregone investment earnings on the funds withdrawn therefrom and pay any interest, fees or penalties assessed as a result of the withdrawal from or the drawing on the VRA Reserve. The increment of interest payable pursuant to the increase in rates shall be referred to as "Supplemental Interest." The term "interest" as used in this bond shall include Supplemental Interest, when and if payable. The City's obligation to pay Supplemental Interest shall commence on the date of the withdrawal or drawing of funds from the VRA Reserve occasioned by the City's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The City's obligation to pay Supplemental Interest shall terminate on the date on which the City makes all payments required but outstanding since the date of the initial failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in this bond. As soon as reasonably possible after the Supplemental Interest

Commencement Date and before the next regularly scheduled interest payment date provided for in this bond, VRA shall deliver to the City a certificate as to the increase in interest rates and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

This bond is subject to prepayment to the extent and under the terms set forth in the Trust Agreement and the Financing Agreement. The notice provisions set forth in Section 402 of the Master Trust Agreement shall not apply to this bond.

This bond is issued as a registered bond and may be transferred only in accordance with the provisions with respect thereto as provided in the Trust Agreement and the Financing Agreement.

The registered owner of this bond shall have no right to enforce the provisions of the Trust Agreement or to institute action to enforce the covenants therein or to take any action with respect to any Event of Default under the Trust Agreement or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Trust Agreement. Modifications or alterations of the Trust Agreement, or of any supplement thereto, may be made only to the extent and in the circumstances permitted by the Trust Agreement.

Upon surrender for transfer or exchange of this bond at the office of the Trustee, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, the City shall execute, and the Trustee shall authenticate and deliver in exchange, a new bond or bonds in the manner and subject to the limitations and conditions provided in the Trust Agreement, having an equal aggregate principal amount, in authorized denominations, of the same series, form and maturity, bearing interest at the same rate and registered in the name or names as requested by the then registered owner hereof or its duly authorized attorney or legal representative. Any such exchange shall be at the expense of the City, except that the Trustee may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Trustee shall treat the registered owner of this bond as the person exclusively entitled to payment of principal of and premium, if any, and interest on this bond and the exercise of all other rights and powers of the owner of this bond, except that regular installment payments of principal and interest shall be made to the person shown as the owner on the registration books as of the 15th day of the month preceding each payment date.

All acts, conditions and things required to happen, exist or be performed precedent to and in connection with the issuance of this bond have happened, exist and have been performed.

This bond shall not become obligatory for any purpose or be entitled to any security or benefit under the Trust Agreement or be valid until the Trustee shall have executed the Certificate of Authentication appearing hereon and inserted the date of authentication hereon.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the City of Danville, Virginia, has caused this bond to be signed by its Mayor and its City Treasurer, its seal to be affixed hereto and attested its City Clerk, and this bond to be dated the date first above written.

(SEAL)

____
Mayor, City of Danville, Virginia

____
City Treasurer, City of Danville, Virginia

(ATTEST)

____
City Clerk,
City of Danville, Virginia

CERTIFICATE OF AUTHENTICATION

Date Authenticated: _______________

This bond is the Series 2023 Bond described in the within-mentioned Trust Agreement.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as trustee

By________________________________
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto ____

____

____

(please print or typewrite name and address, including zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

____
: :
: :
:____________________________:

the within Bond and all rights thereunder, hereby irrevocably constituting and appointing ____ ____, Attorney, to transfer said Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: ______________________

Signature Guaranteed

____
NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union, or Savings Association who is a member of a medallion program approved by The Securities Transfer Association, Inc.

____
(Signature of Registered Owner

NOTICE: 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 I

Installment Date (October 1)	Installment Amount	Interest Rate
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		

Revenue
New Money

LOCAL BOND SALE AND FINANCING AGREEMENT

between

VIRGINIA RESOURCES AUTHORITY

and

CITY OF DANVILLE, VIRGINIA

Dated as of March 31, 2023

Virginia Resources Authority
Infrastructure and State Moral Obligation Revenue Bonds
(Virginia Pooled Financing Program)
Series 2023A

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ARTICLE VII
OPERATION AND USE COVENANTS

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LOCAL BOND SALE AND FINANCING AGREEMENT

This **LOCAL BOND SALE AND FINANCING AGREEMENT** is dated as of March 31, 2023, and is between the **VIRGINIA RESOURCES AUTHORITY**, a public body corporate and a political subdivision of the Commonwealth of Virginia ("VRA"), and the **CITY OF DANVILLE, VIRGINIA**, a municipal corporation of the Commonwealth of Virginia (the "Local Government").

A. VRA intends to issue its Related Series of VRA Bonds, as hereinafter defined, and to use a portion of the proceeds thereof to acquire from the Local Government the Local Bond, as hereinafter defined.

B. VRA and the Local Government wish to set forth herein certain terms, conditions and provisions related to the purchase of the Local Bond, the application of the proceeds thereof, the payment of the debt service thereon and the security therefor, and the use and maintenance of the Related Financed Property, as hereinafter defined.

NOW, THEREFORE, VRA and the Local Government agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 **Definitions**. Each capitalized term contained in this Agreement has the meaning set forth below:

"2023A Acquisition Fund" has the meaning set forth in the Related Supplemental Series Indenture.

"Act" means the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Code of Virginia of 1950, as amended.

"Agreement" means this Local Bond Sale and Financing Agreement dated the date first written above, between VRA and the Local Government, as modified, altered, amended or supplemented in accordance with the terms hereof.

"Annual Budget" means the budget of the System for each Fiscal Year.

"Business Day" means any day on which commercial banking institutions are generally open for business in New York, New York and Richmond, Virginia.

"Closing Date" means May 24, 2023 or such other date as may be determined by VRA.

"Consulting Engineer" has the meaning given to it in the Local Indenture.

"Effective Date" means March 31, 2023, which is the deadline for the Local Government to provide an executed copy of this Agreement to VRA.

"Event of Default" has the meaning set forth in Section 10.1.

"Existing Parity Bonds" has the meaning set forth in Section 2.2(n).

"Financing Parameters" means the parameters established by the governing body of the Local Government regarding the terms and conditions of the Local Bond, which may include a maximum par amount, maximum "true" interest cost or targeted savings.

"Fiscal Year" means the 12-month period beginning July 1 of one year and ending on June 30 of the following year, or if the Local Government has established another 12-month period as its annual accounting period such other 12-month period.

"Government Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America.

"Local Account" means the local account established for the Local Bond within the 2023A Acquisition Fund.

"Local Authorization" means, together, the ordinance (the "Ordinance") and the bond resolution adopted on March 21, 2023 by a majority of the members of the governing body of the Local Government approving (i) the transactions contemplated by and authorizing the execution and delivery of the Local Bond Documents and (ii) the execution, issuance and sale of the Local Bond subject to the Financing Parameters.

"Local Bond" means the Local Government's Taxable Utility System Revenue Bond, Series 2023, issued in the original principal amount set forth in Schedule 1.1, as such bond may be amended or modified.

"Local Bond Documents" means this Agreement, the Local Indenture, and the Local Tax Document.

"Local Government" means the City of Danville, Virginia.

"Local Indenture" means the Agreement of Trust dated as of [_______], 2023, between the Local Government and the Local Trustee, as supplemented and amended previously and as modified, altered, amended and supplemented in accordance with its terms.

"Local Representative" means (i) the Mayor or Vice Mayor of the Local Government, (ii) the chief executive officer of the Local Government and (iii) any other official or employee of the Local Government authorized by resolution of the governing body of the Local Government to perform the act or sign the document in question.

"Local Tax Document" means the Nonarbitrage Certificate and Tax Compliance Agreement dated the Closing Date, between the Local Government and VRA, as modified, altered, amended and supplemented.

"Local Trustee" has the meaning given the term "Trustee" in the Local Indenture.

"Master Indenture" means the Master Indenture of Trust dated as of December 1, 2003, between VRA and the Trustee, as modified, altered, amended and supplemented in accordance with its terms.

"Net Revenues Available for Debt Service" shall have the same meaning as "Net Revenues" as defined in the Local Indenture.

"Operating Expenses" has the meaning given to it in the Local Indenture.

"Parity Bonds" means any of the Local Government's "Bonds" issued under the Local Indenture.

"Proceeds Requested" means $[7,140,000], together with an amount to pay related costs of issuance, or such other amount requested in writing by the Local Government and approved by VRA prior to the Sale Date.

"Project" means the project described in Exhibit B.

"Project Budget" means the budget for the Project set forth in Schedule 1.1.

"Project Costs" means the costs of the Project to the extent such costs are included in the definition of "cost" set forth in Section 62.1-199 of the Act, and includes the refunding of obligations of VRA or the Local Government issued to finance or refinance "costs" set forth in Section 62.1-199 of the Act.

"Purchase Price" has the meaning set forth in Schedule 1.1 and represents the amount received by the Local Government from the sale of the Local Bond to VRA. The Purchase Price of the Local Bond will be determined by adding to or subtracting from the par amount of the Local Bond the Local Government's share of the net original issue premium or discount on the Related Series of VRA Bonds and by subtracting from the par amount of the Local Bond the Local Government's share of VRA's expenses as set forth in Section 3.2 and the Local Government's share of the deposit on the Closing Date to any applicable VRA Reserve. It is acknowledged that the Purchase Price does not include any accrued interest on the Local Bond from its dated date to the Closing Date.

"Qualified Independent Consultant" has the meaning set forth in the Local Indenture; provided, however, all Qualified Independent Consultants are subject to the reasonable approval of VRA.

"Related Financed Property" means the land, building, equipment and other property, the acquisition, construction, renovation, or equipping of which was financed by the Local Bond as part of the Project.

"Related Portion of VRA Bonds" means the portion of the Related Series of VRA Bonds allocable to the Local Bond (as determined by VRA), including any bonds issued by VRA to refund such Related Series of VRA Bonds in whole or in part.

"Related Series of VRA Bonds" means the Virginia Resources Authority Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program), Series 2023A (or such other series of Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) that is specified in Schedule 1.1), in the original aggregate principal amount set forth in Schedule 1.1, and, unless the Local Government receives notice to the contrary from VRA, any bonds issued by VRA to refund the Related Series of VRA Bonds in whole or in part.

"Related Supplemental Series Indenture" means the Fifty-Fifth Supplemental Series Indenture of Trust dated as of May 1, 2023, between VRA and the Trustee, as modified, altered, amended and supplemented in accordance with its terms and those of the Master Indenture.

"Revenue Fund" has the meaning set forth in the Master Indenture.

"Revenues" has the meaning set forth in the Local Indenture.

"Sale Date" means May 10, 2023 or such other date specified in Schedule 1.1.

"Supplemental Interest" has the meaning set forth in Section 6.1.

"System" has the meaning set forth in the Local Indenture.

"Trustee" means U.S. Bank Trust Company, National Association, Richmond, Virginia, as trustee under the Master Indenture and the Related Supplemental Series Indenture, or its successors serving in such capacity.

"Virginia SNAP" means the Commonwealth of Virginia State Non-Arbitrage Program.

"VRA" means the Virginia Resources Authority, a public body corporate and a political subdivision of the Commonwealth of Virginia.

"VRA Bonds" means the Related Series of VRA Bonds and any additional bonds issued under the Master Indenture.

"VRA Reserve" means any one or more of the Capital Reserve Fund, the Infrastructure Debt Service Reserve Fund, the Operating Reserve Fund, a CRF Credit Facility or an Infrastructure Revenue DSRF Facility, each as defined in the Master Indenture.

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

(a) Singular words connote the plural number as well as the singular and vice versa.

(b) Words importing the redemption or calling for redemption of the Local Bond do not refer to or connote the payment of the Local Bond at its stated maturity.

(c) All references in this Agreement to particular Articles, Sections or Exhibits are references to Articles, Sections or Exhibits of this Agreement unless otherwise indicated.

(d) The headings and table of contents as used in this Agreement are solely for convenience of reference and do not constitute a part of this Agreement and do not affect its meaning, construction or effect.

ARTICLE II
REPRESENTATIONS

Section 2.1 **Representations by VRA**. VRA represents to the Local Government as follows:

(a) VRA is a duly created and validly existing public body corporate and political subdivision of the Commonwealth of Virginia vested with the rights and powers conferred upon it under the Act.

(b) VRA has full right, power and authority to (i) issue, sell and deliver the Related Series of VRA Bonds, (ii) direct the Trustee to use a portion of the proceeds of the Related Series of VRA Bonds to purchase the Local Bond from the Local Government as contemplated under the Related Supplemental Series Indenture and this Agreement and (iii) carry out and consummate all other transactions contemplated by this Agreement.

(c) VRA has duly authorized, executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of VRA enforceable against VRA in accordance with its terms.

Section 2.2 **Representations by Local Government**. The Local Government represents to VRA as follows:

(a) The Local Government is a duly created and validly existing Virginia "local government" (as defined in Section 62.1-199 of the Act) and is vested with the rights and powers conferred upon it by Virginia law.

(b) The Local Government has full right, power and authority to (i) adopt the Local Authorization and execute and deliver the Local Bond Documents and all related documents, (ii) issue and sell the Local Bond to VRA and deliver the Local Bond to the Trustee, (iii) own and operate the System, (iv) undertake the Project and (v) carry out and consummate all of the transactions contemplated by the Local Authorization, the Local Bond and the Local Bond Documents.

(c) The Local Authorization authorized the execution and delivery of this Agreement, and this Agreement is in substantially the same form as presented to the Local Government's governing body at its meeting at which the Local Authorization was adopted. The Ordinance was filed in the Circuit Court of the City of Danville, Virginia, on [________], 2023.

(d) The Local Government has obtained all governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the Effective Date for the Local Government's (i) adoption of the Local Authorization, (ii) execution and delivery of the Local Bond Documents and the Local Bond, (iii) performance of its obligations under the Local Bond Documents and the Local Bond, (iv) the undertaking of the Project and (v) the operation and use of the System. The Local Government knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals not required to be obtained by the Effective Date cannot be obtained as required in the future.

(e) The Local Government has executed and delivered this Agreement, and this Agreement constitutes a legal, valid and binding obligation of the Local Government enforceable against the Local Government in accordance with its terms.

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

(g) The issuance of the Local Bond and the execution and delivery of the Local Bond Documents and the performance by the Local Government of its obligations thereunder are within the powers of the Local Government and will not conflict with, or constitute a breach or result in a violation of, (i) to the best of the Local Government's knowledge, any federal or Virginia constitutional or statutory provision, including the Local Government's charter or articles of incorporation, if any, (ii) any agreement or other instrument to which the Local Government 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 Local Government or its property.

(h) The Local Government 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, which constitutes, or which, with notice or lapse of time, or both, would constitute an event of default thereunder.

(i) The Local Government (i) to the best of the Local Government's knowledge, is not in violation of any existing law, rule or regulation applicable to it in any way that would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond or the Local Bond Documents 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 Local Government is a party or by which it is bound or to which any of its assets is subject that would have a material adverse effect on its financial condition or its ability to perform its obligations under the Local Bond and the Local Bond Documents. The Local Government's execution and delivery of the Local Bond and the Local Bond Documents and its 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) The Local Government reasonably expects that, unless otherwise permitted by the terms of the Local Bond Documents or approved by VRA, the Local Government will own, operate and control the System at all times during the term of the Local Bond.

(k) Except as set forth in Exhibit C, no litigation has been served upon the Local Government, nor, to the best of its knowledge, are there pending or threatened against the Local Government, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature (i) affecting the creation, organization or existence of the Local Government 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 Authorization or the Local Bond Documents or the issuance or delivery of the Local Bond, (iii) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Authorization, the Local Bond Documents 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 Local Government or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Authorization, the Local Bond Documents or the Local Bond or (v) affecting the Project.

(l) The financial statements, applications and other information that the Local Government furnished to VRA in connection with this Agreement fairly and accurately portray the Local Government's financial condition, as of their dates, and, [other than the known and unknown risks associated with the ongoing COVID-19 pandemic], there has been no material adverse change in the financial condition of the Local Government since the date of the financial statements provided to VRA in connection with this Agreement.

(m) Nothing that would constitute an Event of Default hereunder has occurred and is continuing, and no event or condition exists that with the passage of time or the giving of notice, or both, would constitute an Event of Default hereunder.

(n) A list of all Parity Bonds that are outstanding on the date of this Agreement is attached as Exhibit J (the "Existing Parity Bonds").

(o) Except for the Existing Parity Bonds, there is no indebtedness of the Local Government secured by a pledge of Revenues prior to or on a parity with the lien of the pledge of Revenues that secures the Local Bond.

Section 2.3 Representations Remade as of the Sale Date. (a) It shall be a condition precedent of VRA's obligation to sell the Related Series of VRA Bonds that the Local Government's representations and warranties set forth in Section 2.2 be true and accurate in all respects on the Sale Date.

(b) If prior to the Sale Date, any representation or warranty set forth in Section 2.2 becomes untrue or inaccurate, then the Local Government shall notify VRA within one Business Day of becoming aware of such facts, and VRA, in its sole and absolute discretion, shall determine whether to sell VRA Bonds on behalf of the Local Government, which series of VRA Bonds (if any) to sell on behalf of the Local Government and any additional conditions precedent to the sale of such VRA Bonds or the purchase of the Local Bond.

ARTICLE III
PURCHASE OF THE LOCAL BOND

Section 3.1 **<u>Purchase of the Local Bond</u>**. (a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth or incorporated herein, VRA shall purchase, solely from the proceeds of the Related Series of VRA Bonds, all, but not less than all, of the Local Bond from the Local Government, and the Local Government shall, subject to the Financing Parameters, sell and deliver to VRA the Local Bond for the Purchase Price. The Local Government acknowledges that the Purchase Price is determined by VRA, is subject to VRA's Purchase Price Objective (as defined below) and market conditions as described below, and is expected to be substantially equal to the Proceeds Requested. The Local Government shall issue the Local Bond pursuant to the Local Authorization and Local Indenture and in substantially the form of <u>Exhibit A</u> to this Agreement. As a condition of VRA entering into this Agreement, the Local Government shall deliver to VRA a copy of the Local Authorization as adopted prior to the date hereof.

(b) The Local Government acknowledges that VRA has advised the Local Government that its objective is to pay the Local Government the Purchase Price for its Local Bond which in VRA's judgment reflects the market value of the Local Bond ("Purchase Price Objective"), taking into consideration the Financing Parameters, the purchase price received by VRA for the Related Series of VRA Bonds, the underwriters' discount and other issuance costs of the Related Series of VRA Bonds and other market conditions relating to the sale of the Related Series of VRA Bonds. The Local Government further acknowledges that VRA has advised it that such factors may result in the Local Bond having a value other than par and that in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, the Local Government may need to issue the Local Bond with a par amount that is greater or less than the Proceeds Requested. The Local Government shall not issue the Local Bond if doing so would violate any Financing Parameter. Subject to the preceding sentence, the Local Government shall issue the Local Bond at a par amount that provides, to the fullest extent practicable given VRA's Purchase Price Objective, a Purchase Price at least equal to the Proceeds Requested, all in accordance with the Local Authorization. The Local Government acknowledges that the Purchase Price will be less than the Proceeds Requested if any Financing Parameter prevents VRA from generating a Purchase Price substantially equal to the Proceeds Requested, based upon VRA's Purchase Price Objective.

Section 3.2 **<u>Issuance Expenses</u>**. VRA shall pay, or cause to be paid, from the proceeds of the Related Series of VRA Bonds all expenses incident to the performance of VRA's obligations under and the fulfillment of the conditions imposed by this Agreement in connection with the issuance, sale and delivery of the Related Series of VRA Bonds and the purchase of the Local Bond on the Closing Date, including, but not limited to: (i) the cost, if any, of preparing and delivering the Related Series of VRA Bonds; (ii) the cost of preparing, printing and delivering the Preliminary Official Statement and the Official Statement for the Related Series of VRA Bonds and any amendment or supplement thereto; (iii) the fees and expenses of the financial advisor(s) and bond counsel to VRA; and (iv) all other costs and expenses incurred by VRA. The Local Government shall pay all expenses of the Local Government incident to the issuance, sale and delivery of the Local Bond, including, but not limited to the fees and disbursements of the financial advisor, counsel and bond counsel to the Local Government from the Purchase Price or other funds of the Local Government.

Section 3.3 **Schedule 1.1**. VRA shall complete Schedule 1.1, which shall set forth, among other things, the principal amount, interest rates, payment schedule and Purchase Price with respect to the Local Bond and the principal amount of the Related Series of VRA Bonds on or after the Sale Date. VRA shall deliver the completed Schedule 1.1 to the Local Government and shall attach Schedule 1.1 to this Agreement. Upon delivery to the Local Government, the completed Schedule 1.1 shall become a part of this Agreement the same as if it were a part hereof on the Effective Date.

Section 3.4 **Conditions Precedent to Purchase of the Local Bond**. VRA shall not be required to cause the Trustee to purchase the Local Bond unless:

(a) VRA has received the following, all in form and substance satisfactory to VRA:

(1) A copy of each item required to be deposited with the Local Trustee under the Local Indenture for the issuance of Bonds (as defined in the Local Indenture) pursuant to Section 304 of the Local Indenture.

(2) Certified copies of the Local Authorization and all other ordinances and resolutions of the Local Government relating to the Local Bond Documents and the Local Bond, if any.

(3) A certificate of the appropriate officials of the Local Government dated the Closing Date as to the matters set forth in Section 2.2 and Section 2.3 (to the extent applicable), including appropriate certifications regarding the Local Bond Documents, and such other matters as VRA may reasonably require.

(4) Evidence that the Local Government 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.

(5) An opinion of counsel to the Local Government in substantially the form attached as Exhibit F.

(6) An opinion of bond counsel to the Local Government in form and substance reasonably satisfactory to VRA.

(7) Evidence that the Local Government has complied with the insurance provisions set forth in Section 809 of the Local Indenture and has named VRA as an additional insured.

(8) The executed Local Bond and original executed counterparts of the Local Tax Document.

(9) A certificate of the Consulting Engineer giving the Consulting Engineer's estimate of the construction portion of the total Project Costs to be financed with the proceeds of the Local Bond, which estimate must be in an amount and otherwise compatible with the financing plan described in the Project Budget.

(10) A certificate of the Consulting Engineer (i) to the effect that the Purchase Price and funds available from the other sources specified in the Project Budget will be sufficient to pay the construction portion of the estimated Project Costs and (ii) specifying the date the Local Government is expected to complete the Project.

(11) A certificate of a Qualified Independent Consultant, including supporting documentation, to the effect that during the first two complete Fiscal Years following the estimated completion date of the Project, the projected Net Revenues Available for Debt Service will satisfy the Local Government's rate covenant under Section 5.2(a). In providing this certificate, the Qualified Independent Consultant may take into consideration future System rate increases, provided that such rate increases have been duly approved by the Local Government's governing body and any other person or 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 to be derived under existing contractual arrangements entered into by the Local Government and from reasonable estimates of growth in the Local Government's consumer base.

(12) A certificate of the Consulting Engineer to the effect that (i) all governmental permits, licenses, registrations, certificates, authorizations and approvals for the undertaking of the Project, as enumerated in the certificate, and the operation and use of the System required to have been obtained as of the Closing Date have been obtained and (ii) the Consulting Engineer knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations and approvals for the undertaking of the Project, as enumerated in the certificate, and the operation and use of the System cannot be obtained as required in the future.

(13) Evidence that the Local Government is in compliance with the construction contract provisions set forth in Section 7.13 with respect to any existing contracts as of the Closing Date.

(14) Evidence that the Local Government has satisfied all conditions precedent to the issuance of the Local Bond as a "Parity Bond" under the financing documents for the Existing Parity Bonds, including the Local Indenture.

(15) Such other documentation, certificates and opinions as VRA may reasonably require as set forth in Schedule 1.1.

(b) The initial purchasers of the Related Series of VRA Bonds have paid in full and VRA has accepted the purchase price for the Related Series of VRA Bonds on the Closing Date. It is understood that the sole source of funds to pay the Purchase Price is a portion of the proceeds of the Related Series of VRA Bonds.

ARTICLE IV
USE OF PURCHASE PRICE

Section 4.1 **Deposit of Purchase Price; Investment of Amounts in Local Account**. (a) On the Closing Date, VRA shall cause the Trustee to deposit the Purchase Price into the Local

Account and to apply the Purchase Price and the earnings thereon as set forth in the Related Supplemental Series Indenture, this Agreement and the Local Tax Document.

(b) The Local Government acknowledges and consents to the investment of the Purchase Price and the earnings thereon in Virginia SNAP.

Section 4.2 Agreement to Accomplish Project. (a) The Local Government shall cause the Project to be acquired, constructed, expanded, renovated, equipped or financed as described in Exhibit B and in accordance with the Project Budget, this Agreement, the Local Tax Document and the plans, specifications and designs prepared by the Consulting Engineer and approved by the Local Government. The Local Government shall use its best efforts to complete, or cause to be completed, the Project by the date set forth in the certificate delivered under Section 3.4(a)(9). The Local Government shall obtain the approval of all applicable regulatory agencies of all plans, specifications and designs for the Project. The Local Government shall maintain complete and accurate books and records of the Project Costs and permit VRA or the Trustee through their representatives to inspect such books and records at any reasonable time.

(b) Upon completion of the Project, the Local Government shall promptly deliver to VRA and the Trustee a certificate signed by a Local Representative and by the Consulting Engineer stating (i) that the Project has been completed substantially in accordance with this Article and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion and (iii) that all certificates of occupancy or other material permits then necessary for the use, occupancy and operation of the Related Financed Property have been issued or obtained. Such certificate shall be accompanied by a copy of the final requisition submitted to the Trustee pursuant to Section 4.3, including Schedule 1 thereto.

(c) If upon completion of the Project and payment of all related costs of issuance, there is a balance remaining in the Local Account, the Trustee, at the written direction of the Local Government, shall apply any remaining balance (i) to pay, or reimburse the Local Government for previously-paid, interest on the Local Bond or (ii) in such other manner that is permitted under the Act and will not, in the opinion of a nationally-recognized bond counsel delivered to VRA and the Trustee, have an adverse effect on the tax status of the Related Series of VRA Bonds.

Section 4.3 Disbursement of Purchase Price and Earnings. Except as provided in Section 4.2(c), the Local Government shall apply the amounts in the Local Account solely and exclusively to the payment or reimbursement of the Local Government for the Project Costs. Not more frequently than once per calendar month, the Trustee shall disburse amounts from the Local Account to the Local Government or as directed by the Local Government upon the Trustee's receipt of the following:

(a) A requisition (upon which the Trustee and VRA shall be entitled to rely) signed by a Local Representative and containing all information called for by, and otherwise being in the form of, Exhibit D (including the Schedules thereto).

(b) Receipts, vouchers, statements, bills of sale or other evidence of payment of the related Project Costs.

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

(1) a certificate, signed by a 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

(2) a certificate, signed by a Local Representative (that may rely on representations of counsel or a title insurance agency reasonably acceptable to VRA), stating that no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under the requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition.

(d) If any requisition includes an item for payment of the cost of acquisition of any lands or easements, or any rights or interests in or relating to lands, there shall also be attached to such requisition:

(1) a certificate, signed by a Consulting Engineer, stating that such lands, easements, rights or interests are being acquired and are necessary or convenient for the construction of the Project; and

(2) a certificate, signed by a Consulting Engineer (that may rely on representations of counsel or a title insurance agency reasonably acceptable to VRA), stating that upon payment therefor the Local Government will have title in fee simple to, or easements, rights or interests sufficient for the purposes of, the Project over and through the subject lands.

Following VRA's approval of each such requisition and accompanying invoice(s) and certificate(s), which approval will not unreasonably be withheld, the Trustee shall pay the requisition from the Local Account in accordance with the instructions in such requisition.

The Local Government agrees that any amounts disbursed to it or for its account from the Local Account pursuant to this Section 4.3 will be (i) immediately applied to reimburse the Local Government for Project Costs it has already paid or (ii) actually spent to pay Project Costs not later than five banking days after receipt.

Section 4.4 **No Sufficiency Warranty by VRA; Local Government Required to Complete Project**. VRA makes no warranty, either express or implied, that the Purchase Price will be sufficient to pay all or any particular portion of the Project Costs. If the Purchase Price is not sufficient to pay in full the cost of the Project, the Local Government shall complete the Project at its own expense and shall not be entitled to any reimbursement therefor from VRA or any abatement, diminution or postponement of its payments under the Local Bond or this Agreement.

ARTICLE V
PLEDGE AND SECURITY

Section 5.1 **Pledge**. The Revenues shall be pledged in accordance with Section 615 of the Local Indenture.

Section 5.2 **Rate Covenant**. (a) The Local Government covenants and agrees that it will fix and collect rates, fees and other charges for use of and for services furnished or to be furnished by its Systems, and will from time to time revised such rates, fees and other charges so as to meet the revenue covenant contained in Section 602 of the Local Indenture.

(b) If, for any reason, the Net Revenues Available for Debt Service are insufficient to satisfy the covenant set forth in subsection (a), the Local Government shall (i) on its demand, pay to VRA a rate maintenance penalty fee in an amount of $5,000, and (ii) within 90 days adjust and increase its rates, fees and other charges or reduce its Operating Expenses so as to provide sufficient Net Revenues Available for Debt Service to satisfy such requirement.

Section 5.3 **Annual Budget of the System**. The Local Government shall furnish to VRA a copy of the Annual Budget (as described in Section 601 in the Local Indenture) and any amendments or supplements thereto promptly upon their preparation.

Section 5.4 **Qualified Independent Consultant's Report**. Intentionally Omitted.

Section 5.5 **Intentionally Omitted.**

ARTICLE VI
PAYMENT AND REDEMPTION OF LOCAL BOND

Section 6.1 **Payment of Local Bond and Related Amounts**. (a) Until the principal of and premium, if any, and interest on the Local Bond and all other amounts payable under this Agreement have been paid in full, the Local Government shall pay or cause to be paid from the Revenues to the Trustee or VRA, as applicable, the following amounts:

(1) to the Trustee, the amounts required by the Local Bond on such dates and in such manner as provided for in the Local Bond – the term "interest," as used in the Local Bond and this Agreement, includes Supplemental Interest, when and if payable;

(2) to the Trustee, or to VRA, no later than 15 days after VRA provides notice to the Local Government, any amounts payable under the Local Tax Document, including without limitation the costs of any rebate calculation agent;

(3) to VRA, on its demand, a late payment penalty in an amount equal to 5.0% of the payment on the Local Bond not paid within 5 days after its due date;

(4) to the Trustee, the Local Government's share (as determined by VRA) of the annual fees and expenses of the Trustee, less the Local Government's share of the net earnings on the Revenue Fund, Infrastructure Revenue Debt Service Fund and Moral Obligation Debt Service Fund established under the Master Indenture (as determined

by VRA), and the Local Government shall pay such amounts no later than 15 days after VRA or the Trustee sends to the Local Government a written bill for them; and

(5) to VRA, to the extent permitted by law, the reasonable costs and expenses, including reasonable attorneys' fees, if any, incurred by VRA in connection with (i) an Event of Default or default by the Local Government under this Agreement (ii) any amendment to or discretionary action that VRA undertakes at the request of the Local Government under this Agreement, any other document related to the Related Series of VRA Bonds or the Local Bond or (iii) any claim, lawsuit or other challenge to the Local Bond, the VRA Bonds or this Agreement that arises, at least in part, out of the Local Government's authorization of its issuance of the Local Bond, and the Local Government shall pay such amounts no later than 15 days after VRA or the Trustee sends to the Local Government a written bill for them.

(b) If any failure of the Local Government to pay all or any portion of any required payment of the principal of or premium, if any, or interest on the Local Bond results in a withdrawal from or a drawing on any VRA Reserve, the interest rates applicable to the Local Bond shall be increased to interest rates sufficient to reimburse the VRA Reserve for any foregone investment earnings on the funds withdrawn therefrom and pay any interest, fees or penalties assessed as a result of the withdrawal from or drawing on the VRA Reserve. The increment of interest payable pursuant to the increase in rates shall be referred to as "Supplemental Interest." The Local Government's obligation to pay Supplemental Interest shall commence on the date of the withdrawal or drawing of funds from the VRA Reserve occasioned by the Local Government's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The Local Government's obligation to pay Supplemental Interest shall terminate on the date on which the Local Government makes all payments required but outstanding since the date of the initial failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in the Local Bond. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly scheduled interest payment date provided for in the Local Bond, VRA shall deliver to the Local Government a certificate as to the increase in interest rates and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

(c) The Local Government shall pay the amounts described above and make payments as scheduled under the Local Bond without any credit for any amount being withdrawn from or drawn on a VRA Reserve pursuant to the Master Indenture.

Section 6.2 **Defeasance and Redemption of Local Bond**. (a) The Local Government shall not defease or redeem the Local Bond (in whole or in part), except as provided in this Section 6.2.

(b) The Local Government shall satisfy the following conditions prior to the defeasance and redemption of the Local Bond:

(1) The Local Government shall provide to VRA not less than 60 days' prior written notice of the deposit of the funds described in (2), (3) and (4) below.

(2) The Local Government shall deposit with the Trustee an amount sufficient for VRA to establish an escrow of cash and non-callable, non-prepayable Government Obligations the principal of and interest on which will be sufficient (without reinvestment) to cause the defeasance under Article XII of the Master Indenture of the portion of the Related Portion of VRA Bonds corresponding to the portion of the Local Bond to be defeased or prepaid (the "Allocated Portion"). The defeasance of the Allocated Portion may be either to maturity or an earlier redemption date as determined by the Local Government.

(3) The Local Government shall deposit with VRA cash in an amount sufficient, as determined by VRA, to pay for a verification report required for the defeasance of the Allocated Portion under Article XII of the Master Indenture, any costs incurred by VRA in connection with the redemption, refunding and defeasance of the Allocated Portion, all amounts overdue or then due on the Local Bond (including, without limitation, any Supplemental Interest) and all amounts overdue, due or to become due under Section 6.1(a) of this Agreement.

(4) The Local Government shall deposit with VRA cash in an amount equal to the present value of interest that would be paid on the principal of the Allocated Portion at a rate equal to 0.125%, payable semiannually, to the maturity dates of the Allocated Portion or, if earlier, the redemption date or dates of the Allocated Portion. Present value shall be determined by using a discount rate equal to the true interest cost of the Related Portion of VRA Bonds.

(c) VRA will determine which Related Portion of VRA Bonds will be designated as the Allocated Portion and the amounts to be deposited under subsection (b)(2) and (3) above using such reasonable allocation and estimation methods as may be selected by VRA, and VRA's determinations shall be conclusive (absent manifest error).

(d) The Local Government acknowledges that no funds in any VRA Reserve will be available to the Local Government for the defeasance or redemption of the Local Bond.

Section 6.3 **Payments and Rights Assigned**. The Local Government hereby consents to VRA's assignment to the Trustee of VRA's rights under this Agreement and the Local Bond. The Local Government also hereby acknowledges and consents to the reservation by VRA of the right and license to enjoy and enforce VRA's rights under the Local Bond and this Agreement so long as no Event of Default (as defined in the Master Indenture) with respect to the Related Series of VRA Bonds has occurred and is continuing. Even though VRA will be the registered owner of the Local Bond, the Local Government shall pay directly to the Trustee all amounts payable by the Local Government under the Local Bond and this Agreement (except for those amounts specifically indicated as payable to VRA under Section 6.1 or Section 11.8, which the Local Government shall pay directly to VRA).

Section 6.4 Obligations Absolute and Unconditional. The obligation of the Local Government to make the payments required by the Local Bond and this Agreement from the sources pledged therefor shall be absolute and unconditional. The Local Government shall pay all such amounts without abatement, diminution or deduction (whether for taxes or otherwise) regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Local Government may have or assert against VRA, the Trustee or any other person.

ARTICLE VII
OPERATION AND USE COVENANTS

Section 7.1 Operation and Maintenance. Intentionally Omitted.

Section 7.2 Additions and Modifications. At its own expense the Local Government from time to time may make any renewals, replacements, additions, modifications or improvements to the System that the Local Government deems desirable, provided that any such renewal, replacement, addition, modification or improvement does not (i) materially reduce the value of the System or (ii) negatively affect the structural or operational integrity of any part of the System. The Local Government shall ensure that all such renewals, replacements, 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 7.3 Permits. The Local Government shall, at its sole cost and expense, 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 System. The Local Government shall, upon request, promptly furnish to VRA and the Trustee copies of all such permits, consents and approvals.

Section 7.4 Use. The Local Government 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 or other changes to the System, irrespective of the cost of making the same.

Section 7.5 Inspection and Local Government's Books and Records. The Local Government shall permit VRA, the Trustee and their duly authorized representatives and agents such reasonable rights of access to the System as may be necessary to determine whether the Local Government is in compliance with the requirements of this Agreement, and the Local Government shall permit such parties, at all reasonable times and upon reasonable prior notice to the Local Government, to examine and copy the Local Government's books and records that relate to the System. The Local Government shall provide copies to VRA of all documents filed with the Trustee and the Trustee shall provide copies to VRA of all documents filed with the Local Government.

Section 7.6 **Ownership**. The Local Government shall not construct, reconstruct or install any part of the System on (i) lands other than those which the Local Government owns or can acquire title to or a perpetual easement over, in either case sufficient for the Local Government's purposes or (ii) lands in which the Local Government has acquired a right or interest less than a fee simple or perpetual easement, unless (1) such part of the System is lawfully located in a public street or highway or (2) the Local Government provides a written opinion of counsel or a report of a Qualified Independent Consultant, either of which shall be in a form reasonably acceptable to VRA, that indicates that the lands and the Local Government's right or interest therein is sufficient for the Local Government's purposes.

Section 7.7 **Sale or Encumbrance**. No part of the System shall be sold, exchanged, leased, mortgaged, encumbered or otherwise disposed of except (i) with the written consent of VRA or (ii) as provided Section 807 of the Local Indenture

Section 7.8 **Collection of Revenues**. Intentionally Omitted.

Section 7.9 **No Free Service**. Intentionally Omitted

Section 7.10 **No Competing Service**. Intentionally Omitted

Section 7.11 **Mandatory Connection.** To the extent permitted by law, the Local Government 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, that such rules and regulations may permit the continued use of private water or sewage disposal systems approved by the applicable board of health or health officer by any such building already in existence at the time the services of the System become available to it upon such conditions as may be specified in such rules and regulations or until such time as such approved private water or 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 7.12 **Lawful Charges**. The Local Government 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 Local Government's interest in it, or (ii) incurred in the operation, maintenance, use and occupancy of the System. The Local Government 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 Local Government, however, after giving VRA 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 Local Government may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in VRA's reasonable opinion, 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 Trustee or an appropriate court a bond in form and amount satisfactory to VRA. Upon request, the Local Government shall furnish to VRA proof of payment of all Governmental Charges and Mechanics' Charges the Local Government is required to pay under this Agreement.

Section 7.13 **Construction Contractors**. Intentionally Omitted.

Section 7.14 **Engineering Services**. Intentionally Omitted.

Section 7.15 **Covenants of Local Indenture**. The Local Government shall comply with all covenants set forth in the Local Indenture as set forth herein.

ARTICLE VIII
RESERVED

ARTICLE IX
SPECIAL COVENANTS

Section 9.1 **Tax Covenants**. The Local Government 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. Insofar as the Local Tax Document imposes duties and responsibilities on the Local Government, including the payment of any arbitrage rebate in respect of the Related Series of VRA Bonds, as of the Closing Date they are specifically incorporated by reference into this Agreement. The Local Government also consents to the reasonable calculation of any "rebate amount" to be paid with respect to the Related Portion of VRA Bonds by a rebate calculation service selected by VRA.

Section 9.2 **Maintenance of Existence**. The Local Government shall maintain its existence as a municipal corporation of the Commonwealth of Virginia under Virginia law, and shall not dissolve or otherwise dispose of all or substantially all of its assets or consolidate or merge with or into another entity without VRA's prior written consent, which consent will not be unreasonably withheld.

Section 9.3 **Financial Records and Statements**. The Local Government 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 in accordance with the Local Indenture.

Section 9.4 **Certification as to No Default and Tax Compliance**. The Local Government shall deliver to VRA, within 180 days after the close of each Fiscal Year, a certification in substantially the form attached as Exhibit G and signed by a Local Representative.

Section 9.5 **Further Assurances**. The Local Government 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 and collateral, if any, assigned or pledged by this Agreement, or as may be required to carry out the purposes of this Agreement. The Local Government shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledges made under this Agreement and all rights of VRA under this Agreement against all claims and demands of all persons, including without limitation the payment of certain costs of VRA as described in Section 6.1(a)(5).

Section 9.6 **Assignment by Local Government**. The Local Government shall not assign its rights and obligations under the Local Bond or this Agreement, or both, without the prior written consent of VRA.

Section 9.7 **Continuing Disclosure**. (a) For purposes of this Section 9.7, the following terms and phrases have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year for the Local Government means the following:

(i) the financial statements (consisting of at least a balance sheet and a statement of revenues and expenses) of the System, 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 Local Government 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 E.

"Dissemination Agent" means any person, reasonably acceptable to VRA, whom the Local Government contracts in writing to perform its obligations as provided in subsection (i) of this Section.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation does not include municipal securities as to which a final official statement has been otherwise provided to the MSRB under the Rule.

"Make Public" or **"Made Public"** has the meaning set forth in subsection (c) of this Section.

"Material Local Government" means the Local Government if the aggregate outstanding principal amount of the Local Bond and any other of the Local Government's local bonds purchased with proceeds of the VRA Bonds represent 15% or more of the outstanding aggregate principal amount of the local bonds and leases purchased with proceeds of the VRA Bonds.

"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 Local Government shall Make Public or cause to be Made Public:

(1) Within seven months after the end of the Local Government'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 Local Government constitutes a Material Local Government. Annual Financial Information may be set forth in the documents Made Public or may be included in a document Made Public by specific reference to any document available to the public on the internet website of the Municipal Securities Rulemaking Board ("MSRB") or filed with the SEC. If the document referred to is a final official statement, then it must be available from the MSRB.

(2) In a timely manner, notice of any failure by the Local Government 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 VRA, to the Trustee and to the MSRB in an electronic format as prescribed by the MSRB.

(d) The Local Government shall also notify VRA of the occurrence of any of the following events that may from time to time occur with respect to the Local Bond, such notice to be given in a timely manner not in excess of five Business Days after the occurrence of the event:

(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 maintained with respect to the Local Bond 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 Local Bond that could affect the tax status of the Related Series of VRA Bonds, or other events with respect to the Local Bond that could affect the tax status of the Related Series of VRA Bonds;

(7) modifications to rights of holders;

(8) bond calls and tender offers;

(9) defeasances;

(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 Local Government;

(13) the consummation of a merger, consolidation, or acquisition involving the Local Government or the sale of all or substantially all of the assets of the Local Government, 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 action, other than pursuant to its terms;

(14) appointment of a successor or additional trustee for the Local Bond, if any, or the change of name of a trustee;

(15) the failure of the Local Government on or before the date required by this Agreement to provide Annual Financial Information to the persons and in the manner required by this Agreement;

(16) incurrence of a Financial Obligation of the Local Government, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Local Government, any of which affect security holders, if material; and

(17) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Local Government, any of which reflect financial difficulties.

(e) Additionally, upon request of VRA, the Local Government shall certify in writing that it has made all filings and disclosures required under this Section or any similar undertaking pursuant to the Rule.

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

(g) (1) If the Local Government fails to comply with any covenant or obligation set forth in this Section, any holder (within the meaning of the Rule) of VRA Bonds then Outstanding may, by notice to the Local Government, proceed to protect and enforce its rights and the rights of the other holders by an action for specific performance of the Local Government's covenants or obligations set forth in this Section.

(2) Notwithstanding anything herein to the contrary, any failure of the Local Government to comply with any disclosure obligation specified in this Agreement (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 (1) of this subsection.

(h) The Local Government 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 Local Government shall not incur any obligation to continue to provide, or to update, such additional information or data.

(i) The Local Government may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligation to cause to be Made Public the information described in this Section and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. It is not necessary for purposes of this Article that the Dissemination Agent have any agency relationship with the Local Government for purposes of state law.

(j) All documents Made Public under this Section shall be accompanied by identifying information as prescribed by the MSRB.

Section 9.8 Other Indebtedness. The Local Government shall pay when due all amounts required by any other indebtedness of the Local Government and perform all of its obligations in connection with all other indebtedness of the Local Government.

Section 9.9 Additional Indebtedness. (a) The Local Government shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by a pledge of Revenues, except issued in accordance with Section 304 of the Local Indenture.

(b) The opinion of Bond Counsel required under Section 304(g) of the Local Indenture as a condition to issuing Bonds shall also include, if the interest on the Bonds to be issued is not excludable from gross income for federal income tax purposes, an opinion substantially to the effect that the issuance and intended use of the proceeds of such Bonds will not cause the Local Bond to become a "private activity bond" within the meaning of Section 141 of the Code or have any adverse effect on the excludability of interest on the Related Series of VRA Bonds from gross income for federal income tax purposes

Section 9.10 Litigation; Material Change. The Local Government shall promptly notify VRA of (i) the existence and status of any litigation that the City Attorney determines is not reasonably certain to have a favorable outcome and which individually or in the aggregate could have a material adverse effect on the financial condition or operations of the System or the Local Government's ability to perform its payment and other obligations under this Agreement or the

Local Bond or (ii) any change in any material fact or circumstance represented or warranted in this Agreement.

ARTICLE X
DEFAULTS AND REMEDIES

Section 10.1 <u>Defaults and Remedies</u>. Upon the occurrence and continuance of an Event of Default under the Local Indenture, VRA and the Trustee will have the respective rights and remedies provided for in the Local Bond, the Local Indenture, and the Master Indenture.

ARTICLE XI
MISCELLANEOUS

Section 11.1 <u>State Aid Intercept</u>. The Local Government acknowledges that VRA is treating the Local Bond as a "local obligation" within the meaning of Section 62.1-199 of the Act, including amendments thereto taking effect as of July 1, 2011, which in the event of a nonpayment thereunder authorizes VRA or the Trustee to file an affidavit with the Governor that such nonpayment has occurred pursuant to Section 62.1-216.1 of the Act. In purchasing the Local Bond, VRA is further relying on Section 62.1-216.1 of the Act, providing that if the Governor is satisfied that such nonpayment has occurred, the Governor will immediately make an order directing the Comptroller to withhold all further payment to the Local Government of all funds, or of any part of them, appropriated and payable by the Commonwealth of Virginia to the Local Government for any and all purposes, and the Governor will, while the nonpayment continues, direct in writing the payment of all sums withheld by the Comptroller, or as much of them as is necessary, to VRA, so as to cure, or cure insofar as possible, such nonpayment.

Section 11.2 <u>Successors and Assigns</u>. This Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 11.3 <u>Amendments</u>. VRA and the Local Government shall have the right to amend from time to time any of this Agreement's terms and conditions, provided that all amendments shall be in writing and shall be signed by or on behalf of VRA and the Local Government.

Section 11.4 <u>Limitation of Local Government's Liability</u>. Notwithstanding anything in the Local Bond or this Agreement to the contrary, the Local Government's obligations hereunder and under the Local Bond 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 debt or a pledge of the faith and credit of the Local Government and the Local Government shall not be obligated to pay the principal of or premium, if any, or interest on the Local Bond or other costs incident to them except from the Revenues and other funds pledged for such purpose. In the absence of fraud or intentional misconduct, no present or future director, official, officer, employee or agent of the Local Government shall be liable personally to VRA 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 11.5 <u>Applicable Law</u>. This Agreement shall be governed by Virginia law.

Section 11.6 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 VRA and the Local Government, as the case may be, only to the extent permitted by law.

Section 11.7 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 (a) if to the Local Government, at the address specified for notices on the signature page; (b) if to VRA, at 1111 East Main Street, Suite 1920, Richmond, Virginia 23219, Attention: Executive Director; or (c) if to the Trustee, at Three James Center, 1051 E. Cary Street, Suite 600, Richmond, Virginia 23219, Attention: Corporate Trust Department. 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. VRA, the Local Government and the Trustee 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 11.8 Right to Cure Default. If the Local Government fails to make any payment or to perform any act required by it under the Local Bond or this Agreement, VRA or the Trustee, without prior notice to or demand upon the Local Government 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 VRA or the Trustee and all costs, fees and expenses so incurred shall be payable by the Local Government as an additional obligation under this Agreement, together with interest thereon at the rate of 15% per year until paid. The Local Government's obligation under this Section shall survive the payment of the Local Bond.

Section 11.9 Term of Agreement. This Agreement is effective as of the Effective Date. Except as otherwise specified, the Local Government'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 Local Government under this Agreement.

Section 11.10 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 Pages Follow]

WITNESS the following signatures, all duly authorized.

VIRGINIA RESOURCES AUTHORITY

By: ______________________________
Shawn B. Crumlish, Executive Director

[Signature Page of Local Bond Sale and Financing Agreement – Danville – VRA]

CITY OF DANVILLE, VIRGINIA

By: ______________________________________
[________], [_______]

Address for Notices:

Municipal Building
427 Patton Street
Danville, Virginia 24541
Attention: [______]

The Trustee, by the execution hereof, accepts the duties imposed on it by this Agreement.

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By: ________________________________

Monique L. Green, Vice President

EXHIBIT A

FORM OF LOCAL BOND

[To be provided]

EXHIBIT B

DESCRIPTION OF THE PROJECT

The Project consists of the financing capital expenditures relating to the Local Government's water and electric systems, including, without limitation, distribution infrastructure improvements for the water system and the electric system, together with related costs of issuance on the Local Bond.

EXHIBIT C

PENDING OR THREATENED ACTIONS, SUITS, PROCEEDINGS, OR INVESTIGATIONS

[To be provided]

EXHIBIT D

FORM OF REQUISITION

Requisition No.

Date: ___________, 20__

U.S. Bank Trust Company, National Association, as Trustee
Attention: Corporate Trust Department
Three James Center
1051 E. Cary Street
Suite 600
Richmond, Virginia 23219

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

This Requisition, including Schedule 1 and Schedule 2 hereto, is submitted in connection with the Local Bond Sale and Financing Agreement dated as of March 31, 2023 (the "Financing Agreement"), between the Virginia Resources Authority and the City of Danville, Virginia (the "Local Government"). Unless otherwise defined in this Requisition, each capitalized term used herein has the meaning given it under Article I of the Financing Agreement. The undersigned Local Representative hereby requests payment of the following amounts from the Local Account established for the Local Government in the 2023A Acquisition Fund established under the Fifty-Fifth Supplemental Series Indenture.

Payee (including wiring instructions if receiving electronic payment):

Address:

Amount to be paid:

Purpose (in reasonable detail) for which obligations(s) to be paid were incurred:

Attached on Schedule 2 are the wire instructions for this requisition, and also attached hereto is an invoice (or invoices) relating to the items for which payment is requested.

The undersigned certifies that (i) the amounts requested by this Requisition will be applied in accordance with the Local Tax Document and solely and exclusively to the payment, or the reimbursement of the Local Government for its payment, of Project Costs of the construction portion of the Project, (ii) no notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable under this Requisition to any of the persons, firms or corporations named in it has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the Requisition, and (iii) this Requisition contains no items representing payment on account of any retained percentage entitled to be retained at this date.

If this Requisition includes payments for labor or to contractors, builders or materialmen, the attached Certificate of Consulting Engineer (Payments for Labor/Contractors) must be completed. If this Requisition includes payments for any lands or easements, or any rights or interest in or relating to lands, the attached Certificate of the Consulting Engineer (Land Interests) must be completed.

The Local Government has agreed in the Financing Agreement that any amounts it receives pursuant to this Requisition will be (i) immediately applied to reimburse the Local Government for Project Costs it has already paid or (ii) actually spent to pay Project Costs not later than five banking days after receipt.

____
Local Representative

SCHEDULE 1

Form to Accompany Requisition

Requisition # ___________________________
Recipient: City of Danville, Virginia – VRA 2023A
Local Representative: ___________________________
Title: ___________________________
Date: ___________________________

Cost Category	Total Project Cost	Previous Disbursements	Disbursement This Period	Disbursements to Date	Remaining Balance
	$	$	$	$	$
TOTALS	$	$	$	$	$

SCHEDULE 2

Wire Instructions for Requisition

[To be provided by the Local Government]

CERTIFICATE OF CONSULTING ENGINEER (PAYMENTS FOR LABOR/CONTRACTORS)

The undersigned Consulting Engineer for the Local Government hereby certifies 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 or installed in or about the Project.

Date: _________, 20__

____

Consulting Engineer

CERTIFICATE OF CONSULTING ENGINEER (LAND INTERESTS)

The undersigned Consulting Engineer for the Local Government hereby certifies that insofar as the amounts covered by the Requisition include payments for land or easements, rights or interests in or relating to lands, (i) such lands, easements, rights or interests are being acquired and are necessary or convenient for the construction of the Project, and (ii) upon payment therefor the Local Government will have title in fee simple to, or easements, rights or interests sufficient for the purposes of, the Project over and through the subject lands.

Date: _________, 20__

____
Consulting Engineer

EXHIBIT E

OPERATING DATA

Description of Local Government. A description of the Local Government including a summary description of the System.

Debt. A description of the terms of the Local Government'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 disclosure 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 Local Government 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 F

FORM OF OPINION OF COUNSEL TO THE LOCAL GOVERNMENT

[Letterhead of the City Attorney of the Local Government]

May 24, 2023

City Council
City of Danville
Danville, Virginia

Virginia Resources Authority
Richmond, Virginia

Hunton Andrews Kurth LLP
Richmond, Virginia

$[______]
City of Danville, Virginia
Taxable Utility System Revenue Bond,
Series 2023

Ladies and Gentlemen:

We have acted as counsel to the City of Danville, Virginia (the "City"), in connection with the issuance and sale by the City of its $[_______] Taxable Utility System Revenue Bond, Series 2023 (the "Local Bond"), the net proceeds of which will be applied to finance the Project (as defined in the hereafter defined Financing Agreement), and in such capacity, we have examined, among other things, the following documents:

(a) certified copies of the ordinance and bond resolution, both adopted on March 21, 2023 (together the "Local Authorization"), authorizing the issuance and sale of the Local Bond to Virginia Resources Authority ("VRA") to finance the Project;

(b) a copy of the Local Bond Sale and Financing Agreement (the "Financing Agreement") dated as of March 31, 2023, between the City and VRA;

(c) a copy of the Local Tax Document; and

(d) a copy of the Local Indenture.

The documents referred to in clauses (b) and (d) above are referred to collectively as the "Local Bond Documents."

We have also examined such other records and proceedings of the City and conducted such investigations as we deemed appropriate and necessary for purposes of this opinion.

Unless otherwise defined, each capitalized term used in this opinion has the same meaning given to such term in the Financing Agreement.

As to questions of fact material to the opinions and statements set forth herein, we have relied upon representations of the City set forth in the Local Bond Documents and other certificates and representations by persons including representatives of the City. Whenever an opinion or statement set forth herein with respect to the existence or absence of facts is qualified by the phrase "to the best of our knowledge" or a phrase of similar import, it is intended to indicate that during the course of our representation of the City in connection with the Local Bond Documents no information has come to our attention that should give us current actual knowledge of the existence or absence of such facts. Except to the extent expressly set forth herein, we have not undertaken any independent investigation of the existence or absence of such facts, and no inference as to our knowledge or the existence or absence of such facts should be drawn from the fact of our representation or any other matter.

Based upon such examination and assuming the authorization, execution, delivery and enforceability of all documents by parties other than the City, we are of the opinion that:

1. The City is a duly created and validly existing municipal corporation and political subdivision of the Commonwealth of Virginia and is vested with the rights and powers conferred upon it by Virginia law.

2. The City has full right, power and authority to (a) adopt the Local Authorization and execute and deliver the Local Bond Documents and all related documents, (b) undertake the Project and (c) carry out and consummate all of the transactions contemplated by the Local Authorization and the Local Bond Documents, including owning and operating the System.

3. The Local Bond Documents were duly authorized by the Local Authorization, and the Financing Agreement is in substantially the same form as presented to the Governing Body at its meeting at which the Local Authorization was adopted.

4. All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date hereof have been obtained for (a) the City's adoption of the Local Authorization, (b) the execution and delivery of the Local Bond Documents and the Local Bond, (c) the City's performance of its obligations under the Local Bond Documents and the Local Bond, and (d) to the best of our knowledge, the operation and use of the System. We know of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations or approvals cannot be obtained as required in the future.

5. The Financing Agreement has been executed and delivered by duly authorized officials of the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms. The Local Bond has been executed and delivered by duly authorized officials of the City and will constitute a legal, valid and binding limited obligation of the City enforceable against the City in accordance with its terms.

6. The obligations of the City under the Financing Agreement and the Local Bond, and the enforceability of such obligations, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally, (b) principles of equity, whether considered at law or in equity, (c) the exercise of sovereign police powers of the Commonwealth of Virginia, and (d) rules of law which may limit the enforceability on public policy grounds of any obligations of indemnification undertaken by the City.

7. The issuance of the Local Bond and the execution and delivery of the Local Bond Documents and the performance by the City of its obligations thereunder are within the powers of the City and will not conflict with, or constitute a breach or result in a violation of, (a) any federal or Virginia constitutional or statutory provision, (b) to the best of our knowledge, any agreement or other instrument to which the City is a party or by which it is bound or (c) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the City or its property.

8. To the best of our knowledge, the City 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. To the best of our knowledge, 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 the Financing Agreement, which constitutes, or which, with notice or lapse of time, or both, would constitute, an event of default thereunder.

9. To the best of our knowledge, the City (a) 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 the Local Bond or the Local Bond Documents and (b) 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 City 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 the Local Bond and the Local Bond Documents. The execution and delivery by the City of the Local Bond and the Local Bond Documents and the compliance with the terms and conditions thereof will not conflict with, result in a breach of or constitute a default under any of the foregoing.

10. Except as described in Exhibit C of the Financing Agreement, no litigation has been served upon the City, nor, to the best of our knowledge, are there pending or threatened against the City, any actions, suits, proceedings or investigations of a legal, equitable, regulatory, administrative or legislative nature (a) affecting the creation, organization or existence of the City or the title of its officers to their respective offices, (b) seeking to prohibit, restrain or

enjoin the approval, execution, delivery or performance of the Local Authorization or the Local Bond Documents or the issuance or delivery of the Local Bond, (c) in any way contesting or affecting the validity or enforceability of the Local Bond, the Local Authorization, the Local Bond Documents or any agreement or instrument relating to any of the foregoing, (d) in which a judgment, order or resolution may have a material adverse effect on the City or its business, assets, condition (financial or otherwise), operations or prospects or on its ability to perform its obligations under the Local Authorization, the Local Bond Documents or the Local Bond, or (e) affecting the undertaking of the Project.

Our services as counsel to the City have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to make the statements herein contained. We have not examined any documents or other information concerning the business or financial resources of the City and, therefore, express no opinion as to the accuracy or completeness of any information that may be relied upon by VRA. Our opinions are limited to the matters expressly stated; no opinion is implied or may be inferred beyond such matters. Our opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Cordially,

EXHIBIT G

FORM OF CERTIFICATION AS TO NO DEFAULT AND TAX COMPLIANCE

[DATE]

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

Dear [Mr./Ms.] ______:

In accordance with Section 9.4 of the Local Bond Sale and Financing Agreement dated as of March 31, 2023 (the "Financing Agreement") between Virginia Resources Authority and the City of Danville, Virginia (the "Local Government"), I hereby certify that, during the fiscal year that ended June 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 10.1 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 Local Government 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 Local Government 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 Local Tax Document.] [If untrue, please describe.]

7. [Other than any amounts described in the Local Tax Document (as defined in the Financing Agreement), between VRA and the Local Government and amounts that may constitute or be on deposit in a Bona Fide Debt Service Fund, there neither have been nor are now any monies, 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 Local Government 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 Local Government is in compliance with the recordkeeping requirements of Section 4.9 of the Local Tax Document.] [If untrue, please describe.]

9. [Other than as may be described above, the Local Government is not in default of any of its obligations under the Local Tax Document.] [If untrue, please describe.]

10. Unless otherwise defined herein, each capitalized term used herein has the meaning set forth in the Local Tax Document.

Sincerely,

[Insert Name]
Local Representative

EXHIBIT H

DESCRIPTION OF SPECIAL USE ARRANGEMENTS

None.

EXHIBIT I

FORM OF ANNUAL BUDGET

[DATE]

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

Ladies and Gentlemen:

Pursuant to the Financing Agreement[s] between Virginia Resources Authority and the City of Danville, Virginia, dated as of [add dates of all outstanding Financing Agreements], 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 Expenses**	**Net Revenues Available for Debt Service** (Revenues – O&M Expenses)	**Debt Service**	***Coverage** (Net Revenues Available for Debt Service/Debt Service)

Unless otherwise defined herein, the capitalized terms used in this Certificate shall have the meanings set forth in the Financing Agreement[s].

Very truly yours,

By: ___________________________

Its: __________________________

EXHIBIT J

EXISTING PARITY BONDS

None.

SCHEDULE 1.1

FINAL TERMS

ADDITIONAL CONDITIONS PRECEDENT TO PURCHASE OF LOCAL BOND:

None.

ADDITIONAL CONDITIONS PRECEDENT TO FIRST REQUISITION OF PROCEEDS OF LOCAL BOND:

None.

PROJECT BUDGET

[To be provided]

INTEREST RATES AND PAYMENT SCHEDULE FOR LOCAL BOND

[To be provided]

Council Letter
City of Danville, Virginia

CL - 399 **NEW BUSINESS E.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject: Consideration of New National Opioid Settlements.

From: W. Clarke Whitfield Jr., City Attorney

COUNCIL ACTION

A Resolution of the City Council of the City of Danville, Virginia Authorizing and Approving of the City's Participation in the Proposed Settlement of Opioid-Related Claims Against Teva, Allergan, Walmart, Walgreens, CVS, and their Related Corporate Entities, and Directing the City Attorney and/or the City's Outside Counsel to Execute the Documents Necessary to Effectuate the City's Participation in the Settlements.

SUMMARY

Five new proposed national opioid settlements ("New National Opioid Settlements") have been reached with Teva, Allergan, CVS, Walgreens, and Walmart ("Settling Defendants"). This Participation Package is a follow-up communication to the Notice of National Opioid Settlements recently received electronically by your subdivision or special district ("subdivision"). You are receiving this Participation Package because Virginia is participating in the following settlements:

- Teva
- Allergan
- CVS
- Walgreens
- Walmart

BACKGROUND

The City has filed suit against Teva, Allergan, Walmart, Walgreens, CVS, and certain of their related corporate entities for their role in the distribution, manufacture, and sale of the pharmaceutical opioid products that have fueled the opioid epidemic that has harmed the City of Danville.

Settlement proposals have been negotiated that will cause Teva, Allergan, Walmart, Walgreens, and CVS to pay billions of dollars nationwide to resolve opioid-related claims against them.
The City's outside opioid litigation counsel and the City Attorney recommend that the City participate in the settlements in order to recover its share of the funds that the settlement would provide.

RECOMMENDATION

It is recommended that the City Council adopt the accompanying Resolution authorizing and approving the City to participate in the Opioid-Related settlements in order to recover its share of the funds that the settlement would provide.

Attachments

1. Resolution

PRESENTED: ______________________

ADOPTED: ________________________

RESOLUTION NO. 2023-____.____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING AND APPROVING OF THE CITY'S PARTICIPATION IN THE PROPOSED SETTLEMENT OF OPIOID-RELATED CLAIMS AGAINST TEVA, ALLERGAN, WALMART, WALGREENS, CVS, AND THEIR RELATED CORPORATE ENTITIES, AND DIRECTING THE CITY ATTORNEY AND/OR THE CITY'S OUTSIDE COUNSEL TO EXECUTE THE DOCUMENTS NECESSARY TO EFFECTUATE THE CITY'S PARTICIPATION IN THE SETTLEMENTS.

WHEREAS, the opioid epidemic that has cost thousands of human lives across the country also impacts City of Danville (City) by adversely impacting the delivery of emergency medical, law enforcement, criminal justice, mental health, and substance abuse services, and other services by the City's various departments and agencies; and

WHEREAS, the City has been required and will continue to be required to allocate substantial taxpayer dollars, resources, staff energy, and time to address the damage the opioid epidemic has caused and continues to cause the citizens of the City of Danville; and

WHEREAS, the City has filed suit against Teva, Allergan, Walmart, Walgreens, CVS, and certain of their related corporate entities for their role in the distribution, manufacture, and sale of the pharmaceutical opioid products that have fueled the opioid epidemic that has harmed the City of Danville; and

WHEREAS, the City's suit seeks recovery of the public funds previously expended and to be expended in the future to abate the consequences and harms of the opioid epidemic; and

WHEREAS, settlement proposals have been negotiated that will cause Teva, Allergan, Walmart, Walgreens, and CVS to pay billions of dollars nationwide to resolve opioid-related claims against them; and

WHEREAS, the City has approved and adopted the Virginia Opioid Abatement Fund and Settlement Allocation Memorandum of Understanding (the "Virginia

MOU"), and affirms that these pending settlements with Teva, Allergan, Walmart, CVS, and Walgreens shall be considered "Settlements" that are subject to the Virginia MOU, and shall be administered and allocated in the same manner as the opioid settlements entered into previously with the Distributors and Janssen; and

WHEREAS, the City's outside opioid litigation counsel has recommended that the City participate in the settlements in order to recover its share of the funds that the settlement would provide; and

WHEREAS, the City Attorney has reviewed the available information about the proposed settlements and concurs with the recommendation of outside counsel;

NOW THEREFORE BE IT RESOLVED by Council Of the City of Danville, Virginia this 21 day of March, 2023, that it hereby approves of the City's participation in the proposed settlement of opioid-related claims against Teva, Allergan, Walmart, Walgreens, CVS, and their related corporate entities, and directs the City Attorney and/or the City's outside counsel to execute the documents necessary to effectuate the City's participation in the settlements, including the required release of claims against settling entities.

APPROVED:

____
Mayor

ATTEST:

____
City Clerk

Approved as to
Form and Legal Sufficiency:

____
City Attorney

Council Letter
City of Danville, Virginia

CL - 423 **NEW BUSINESS F.**

City Council REGULAR MEETING

Meeting Date: March 21, 2023

Subject:

From: W. Clarke Whitfield Jr., City Attorney

COUNCIL ACTION

An Ordinance Extending a Temporary Ambulance Operator’s Permit to Fab’s Family Medical Transport.

SUMMARY

Fab's Family Medical Transport, by Jaime Bethel, filed an application with the City for an Ambulance Operator's Permit.

BACKGROUND

In accordance with Article III, entitled "Ambulances" of Chapter 39 entitled "Vehicles for Hire" of the Code of the City of Danville, Virginia, Jaime Bethel submitted an application for an ambulance Operator's permit for Fab's Family Medical Transport, to the City Clerk

The Council's Ambulance Committee met on December 9, 2022, to review the application and make recommendations to the City Council.

City Council issued a temporary sixty-day permit. Upon their request, Council, concludes that a need exists, to authorize the applicant an extended temporary ambulance operator’s permit and should be issued to Fab’s Family Medical Transport.

RECOMMENDATION

It is recommended that Council extends Fab’s Family Medical Transport’s a temporary ambulance operator's permit for an additional sixty (60) days, beyond March 18, 2021, expiring on May 17, 2023.

Attachments

1. Ordinance

PRESENTED: ______________________

ADOPTED: ______________________

ORDINANCE NO. 2023 -____.____

AN ORDINANCE EXTENDING A TEMPORARY AMBULANCE OPERATOR'S PERMIT TO FAB'S FAMILY MEDICAL TRANSPORT.

WHEREAS, Fab's Family Medical Transport, has applied for an ambulance operator's permit, in accordance with the provisions of Article III, entitled "Ambulances," of Chapter 39, entitled "Vehicles for Hire," of the Code of the City of Danville, Virginia, 1986, as amended; and

WHEREAS, the Ambulance Committee reviewed the application for a full-service operator's permit filed by Fab's Family Medical Transport, made an investigation and analysis, as required by Sections 39-101 and 39-107 of the City Code, and recommended that a temporary, sixty-day permit be issued to Fab's Family Medical Transport; and

WHEREAS, Council has determined, pursuant to Section 39-107(g) of the City Code that a need exists to extend the applicant's temporary ambulance operator's permit to provide ambulance service for an additional sixty (60) days beyond March 18, 2023, subject to reasonable conditions, pending the determination by Council whether an ambulance operator's permit should be granted; and

WHEREAS, Council, therefore, concludes that a need exists, to authorize the applicant an extended temporary ambulance operator's permit and should be issued to Fab's Family Medical Transport.

NOW THEREFORE, BE IT ORDAINED, by the Council of the City of Danville, Virginia, that, pursuant to Section 39-107 (g) of the City Code that a temporary ambulance operator's permit for Fab's Family Medical Transport, for temporary ambulance service be, and is hereby, extended for an additional (60) days, beyond March 18, 2023, expiring on May 17, 2023, subject to the following conditions:

1. Compliance with all of the applicable provisions of Chapter 39 of the City Code and other applicable federal, state, and local laws, and the conditions set forth.

2. The ambulance operator permit holder will keep such records and make such reports to the City Manager or his designee with respect to furnishing ambulance service under this ambulance operator permit as shall be required and requested by the City Manager or his designee. The City Manager or his designee may prescribe the form of such records and reports and shall have the right to inspect the records, facilities, and equipment of the ambulance operator permit holder at any time.

3. The ambulance operator permit holder will indemnify, keep, and hold the City free and harmless from any and all liability for injury or damage to any and all persons, firms, and corporations and property arising out of or directly or indirectly resulting from the performance of this permit; and in the event any suit or proceeding shall be brought against the City, at law or in equity, either independently or jointly with the permit holder, on account of, founded upon or arising out of the performance of this permit, the permit holder will defend the City therein at the cost of the permit holder, and in the event of a final judgement or decree being obtained or entered in any such action of suit against the City, either independently or jointly with the permit holder, then the permit holder will pay such judgement, together with all costs and expenses of whatever nature, or comply with such decree, and hold the City harmless therefrom.

4. Should the ambulance operator permit holder breach any term, condition or provision of this permit and fail to correct, remedy or remove the condition that constitutes such breach within thirty (30) days after written notice thereof has been received by the permit holder from the City Manager or his designee, or should the permit holder become insolvent or a receiver or receivers be appointed for it, or should the permit holder make assignment for the benefit of its creditors and such insolvency is not remedied or such receivership or assignment is not vacated within thirty (30) days, the City Manager or his designee may immediately terminate this permit.

5. Neither the permit nor the rights, privileges and obligations inuring to or assumed by the ambulance operator permit holder thereunder shall be assigned or transferred, directly or indirectly, and every such assignment or transfer shall be void and shall automatically and immediately terminate this permit.

6. The term of the extended temporary ambulance operator's permit shall be for an additional sixty (60) days, beginning March 18, 2023, and ending May 17, 2023.

7. The ambulance service only non-emergency calls from the hospital, nursing homes, general public, and doctors' offices.

8. Ambulance service must conform to the City Code entitled "Ambulances," of Chapter 39, entitled "Vehicles for Hire," of the Code of the City of Danville, Virginia, 1986, as amended.

9. Fab's Family Medical Transport shall provide a performance bond or letter of credit (in a form acceptable to the City Attorney) to secure performance under this permit.

10. Fab's Family Medical Transport shall provide an audited financial statement and profit and loss statement for 2023 within ninety (90) days after this date.

11. The ambulance operator permit holder shall immediately notify the Fire Chief of any citation and/or suspension issued against Fab's Family Medical Transport state EMS agency certificate, and/or any employee's state EMS certification, issued by the Virginia Office of Emergency Medical Services.

12. Fab's Family Medical Transport shall operate a central business and response office within the City limits of Danville, said location must be approved by the City Manager or his designee.

13. Fab's Family Medical Transport shall have at least one single-party telephone service for receipt and dispatch of ambulance and wheelchair services.

14. Insurance shall be carried against loss and liability in connection with the performance of the ambulance service. (Minimum required—One million ($1,000,000) for bodily injury to any one person in any one accident and not less than five-hundred thousand ($500,000) for all bodily injuries resulting from any one accident, and one-hundred thousand ($100,000) for property damage.) A copy of the insurance carried must be provided to the City Manager or his designee.

15. The City reserves the right to request a financial statement from the bidder or proof of financial stability.

APPROVED:

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Mayor

ATTEST:

____
Clerk

Approved as to
Form and Legal Sufficiency:

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City Attorney