DANVILLE CITY COUNCIL REGULAR MEETING AGENDA

MUNICIPAL BUILDING

May 5, 2026

7:00 PM

PRESIDING:	Alonzo L. Jones, Mayor	
CITY COUNCIL MEMBERS:	James B. Buckner, Vice Mayor L.G. "Larry" Campbell, Jr. Bryant Hood Daniel W. Marshall, III	Barry P. Mayo Dr. Gary P. Miller Sherman M. Saunders J. Lee Vogler, Jr.,
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 at www.danvilleva.gov/council or by contacting the Office of the City Clerk, 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 - L.G. "LARRY" CAMPBELL, JR.

PLEDGE OF ALLEGIANCE TO THE FLAG

ANNOUNCEMENTS AND SPECIAL RECOGNITION

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.

PUBLIC HEARING

A. Consideration of Approval of Minutes from Regular Council Meeting held on April 7, 2026.

B. Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance by Anticipating the Proceeds from the Issuance of Utility Revenue Bonds.
Council Letter Number CL - 2633.

An Ordinance Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for the Proceeds from the Sale of Utility Revenue Bonds and Appropriating Same.
Final Adoption

OLD BUSINESS

A. Consideration of Authorizing Utilization of the Virginia Water Supply Revolving Fund through the Virginia Department of Health for Water Main Replacements and the Lead Service Line Replacement Project.
Council Letter Number CL - 2690.

An Ordinance of the Council of the City of Danville, Virginia Authorizing the Issuance of Utility System Revenue Bonds of the City of Danville, Virginia in the Maximum Aggregate Principal Amount of $6,700,000.00 to Finance Various Expenditures for its Water, Sewer, Electric, and Gas Utility Systems.
Final Adoption

NEW BUSINESS

A. Consideration of a Code Amendment Request filed by the City of Danville to Amend Chapter 41 to include “Data Centers”.
Council Letter Number CL - 2627.

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Amending Chapter 41 Entitled “Code Danville, The Unified Development Code of Danville, Virginia” of the Code of the City of Danville, Virginia, 1986, As Amended, More Specifically to Amend Article 3 Section B Entitled “Use Standards” and Article 9 Entitled ‘Glossary” to Include

"Data Center".

B. Consideration of a Special Use Permit Application to Allow Indoor Commercial Recreation at 145 Holt Garrison Parkway Suite 410.
Council Letter Number CL - 2632.

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Granting Special Use Permit Application PZ26-00223 filed by JLF Innovations, Inc. to Allow Indoor Commercial Recreation in Accordance with Chapter 41.3.A at Parcel ID# 73158 (145 Holt Garrison Parkway, Suite 410).

C. Consideration of a Special Use Permit Application to Allow Adult Daycare at 405 North Main Street.
Council Letter Number CL - 2644.

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Granting Special Use Permit Application PZ26-00244 filed by Jonathan Sharolli to Allow an Adult Daycare in Accordance with Chapter 41.3.A at Parcel ID# 03430 (405 North Main Street).

D. Consideration of a Special Use Permit Application to Allow a Waiver of Side Yard Setback Requirements at 143 & 153 Crown Drive.
Council Letter Number CL - 2661.

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Granting Special Use Permit Application PZ26-00251 filed by BFBDanville LLC to Allow a Waiver of Side Yard Setback Requirements in Accordance with Chapter 41.2.I at Parcel ID# 72436 (143 & 153 Crown Drive).

E. Consideration of a Moral Obligation and Support Agreement for the Mount Cross Road Battery Energy Storage System.
Council Letter Number CL - 2660.

A Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into a Moral Obligation Support Agreement Securing a Borrowing by the City of Danville, Virginia for the Mount Cross Road Battery Energy Storage System.

F. Consideration of Authorizing the City Manager to enter into a Power Supply Pool Agreement with American Municipal Power.
Council Letter Number CL - 2678.

A Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into an Agreement with American Municipal Power for the 2026 Danville Power Pool Participant Schedule.

G. Consideration of an Agreement with Microporous, LLC to Extend Natural Gas Infrastructure to the Southern Virginia Megasite at Berry Hill.
Council Letter Number CL - 2684.

Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into an Agreement with Microporous, LLC for the Construction and Operation of a Natural Gas Line Extension.

H. Consideration of an Agreement with Microporous, LLC to Extend Wastewater Infrastructure to Microporous, LLC at the Southern Virginia Megasite at Berry Hill.
Council Letter Number CL - 2694.

Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into an Agreement with Microporous, LLC for the Construction and Operation of a Wastewater Extension.

I. Consideration of a Resolution to Issue Utility Revenue Bonds to Utilize Funding Available through the Virginia Water Supply Revolving Fund - Water Main Replacement.
Council Letter Number CL - 2691.

A Resolution of the Council of the City of Danville, Virginia Providing for the Issuance and Sale by the City of Danville, Virginia, of a Taxable Utility System Revenue Bond in a Principal Amount not to Exceed $1,596,380, Heretofore Authorized, and Providing for the Form, Details, and Payment of Such Bond.

J. Consideration of a Resolution to Issue Utility Revenue Bonds to Utilize Funding Available through the Virginia Water Supply Revolving Fund - Lead Service Line Replacement.
Council Letter Number CL - 2692.

A Resolution of the Council of the City of Danville, Virginia, Providing for the Issuance and Sale by the City of Danville, Virginia, of a Taxable Utility System Revenue Bond in a Principal Amount not to Exceed $5,080,000, Heretofore Authorized, and Providing for the Form, Details, and Payment of Such Bond.

K. Consideration of the Fiscal Year 2027 Danville Public Schools Budget.
Council Letter Number CL - 2697.

1. Public Hearing

2. A Resolution of the Council of the City of Danville, Virginia Approving the Budget of the School Board of the City of Danville for the Fiscal Year Ending June 30, 2027.
First Reading

L. Consideration of Fee Changes Effective July 1, 2026.
Council Letter Number CL - 2698.

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Amending, Establishing and Increasing Certain Fees of the City of Danville Effective July 1, 2026, Except Where Otherwise Stated.
First Reading

M. Consideration of a Data Center Tax Rate Increase.
Council Letter Number CL - 2700.

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Amending and Reordaining Section 37-37 of the Danville City Code to Increase the Data Center Tax Rate from $0.25 (Twenty-Five Cents) on Every $100 (One Hundred Dollars) of Assessed Value to $1.20 (One Dollar and Twenty Cents) on Every $100 (One Hundred Dollars) of Assessed Value Effective July 1, 2026.
First Reading

N. Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance for the Recreation Enrichment Program.

Council Letter Number CL - 2679.

An Ordinance of the Council of the City of Danville, Virginia Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for Funds in the Amount of $69,625 for a Recreation Enrichment Program and the Local In-Kind Share of $306,223 for a Total Appropriation of $375,848 and Appropriation of Same.
First Reading

O. Consideration of Amending the Fiscal Year 2026 Budget Appropriation for a Grant from the Virginia Housing Workforce Housing Investment Program.
Council Letter Number CL - 2726.

An Ordinance of the Council of the City of Danville, Virginia Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for a Grant from Virginia Housing in the Amount of $2,000,000 for the Purpose of Developing 1700 West Main Street and Appropriating the Same.
First Reading

COMMUNICATIONS FROM VISITORS

Communication from Visitors is an opportunity for citizens, who have signed up to speak at www.danvilleva.gov/council or by contacting the Office of the City Clerk, 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. Each individual speaker 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.

COMMUNICATIONS

A. City Manager

B. Deputy City Manager

C. Assistant City Manager Adkins

D. Assistant City Manager Evans

E. City Attorney

F. City Clerk

G. Roll Call

ADJOURNMENT

Council Letter
City of Danville, Virginia

CL - 2713 **CONSENT AGENDA A.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Approval of Meeting Minutes

From: Susan DeMasi, City Clerk

COUNCIL ACTION

Consideration of Approval of Minutes from Regular Council Meeting held on April 7, 2026.

Attachments

1. Meeting Minutes

The Regular April meeting of the Danville City Council was held on April 7, 2026, at 7:00 p.m. in the Council Chambers located on the Fourth Floor of the Municipal Building, 427 Patton Street, Danville, Virginia. The following Council Members were present: Vice Mayor James B. Buckner, L.G. "Larry" Campbell Jr., Mayor Alonzo L. Jones, Bryant Hood, Daniel W. Marshall, Dr. Gary P. Miller, Barry P. Mayo, Sherman M. Saunders, and J. Lee Vogler, Jr. (9).

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

Mayor Jones presided.

INVOCATION AND PLEDGE OF ALLEGIANCE

Vice Mayor James B. Buckner gave the Invocation followed by the Pledge of Allegiance.

ANNOUNCEMENTS AND SPECIAL RECOGNITIONS

Mayor Jones read the following letter to Director of Economic Development and Tourism, Corrie Bobe:

Dear Ms. Bobe,

On behalf of the City Council, we extend our sincere appreciation and heartfelt congratulations to you as you conclude your service with the City of Danville.

From your early days with the department to your leadership as Director of Economic Development and Tourism, your commitment to advancing Danville's prosperity was both steadfast and visionary.

Your impact is everywhere. The continued momentum in the River District and Schoolfield, the launch of our tourism program and Regional Housing Summit, the success in bringing in major employers like Tyson Foods, Microporous, Avio USA, and Staunton River Plastics —all of it reflects your vision and determination. Just as importantly, your work to support small, women-, and minority-owned businesses has helped make our growth more inclusive and meaningful.

Beyond these accomplishments, your work has helped shape Danville's identity and future. Your leadership in branding initiatives, regional tourism promotion, and housing development has positioned our city at a pivotal moment of growth and opportunity. The recognition you have received, including your inclusion on the Virginia Business Virginia 500 Power List and your honor as a 2025 Women in Leadership recipient, reflects the respect and admiration you have earned across the Commonwealth.

While we will miss your daily presence and leadership within city government, we are grateful that your talents will continue to benefit our region through your new role with the Danville Regional Foundation. We wish you every success in this next chapter and look forward to continued partnership in the work ahead.

With deepest appreciation,
Alonzo L. Jones
Mayor, City of Danville

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Council Members congratulated Ms. Bobe on her new position, thanked her for all she has done for this region, and what she and her staff do every day; she has made a difference and they appreciated her. Ms. Bobe thanked Council for the kind words, it has been an honor to work for this organization and for her home community.

CONSENT AGENDA

Mayor Jones opened the floor for a Public Hearing regarding Budget Appropriation Items. Notice of the Public Hearing was published in the *Danville Register & Bee* on March 31, 2026. No one present desired to be heard and the Public Hearing was closed.

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

Minutes of the Regular Council Meeting held on March 3, 2026. Draft copies of the minutes had been distributed prior to the meeting.

Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance for a Grant and Loan from the Virginia Tobacco Region Revitalization Commission for the Natural Gas Pipeline Extension to the Southern Virginia Megasite at Berry Hill

An Ordinance entitled, Ordinance No. 2026-03.08, an Ordinance Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for a Virginia Tobacco Region Revitalization Commission $459,000 Grant and $2,000,000 Loan to Assist with the City's Natural Gas Pipeline Extension to the Southern Virginia Mega Site at Berry Hill.

Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance for State Aviation Capital Funding

An Ordinance entitled, Ordinance No. 2026-03.09, an Ordinance Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for State Aviation Capital Grant Funding to Complete a Site Preparation Construction Project at the Danville Regional Airport in the Amount of $993,760 and for the Local Share in the Amount of $110,418 for a Total of $1,104,178 and Appropriating the Same.

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

VOTE:	9-0
AYE:	Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY:	None (0)

NEW BUSINESS

CONSIDERATION OF A SPECIAL USE PERMIT APPLICATION FILED BY THE IDA FOR A WAIVER TO MAXIMUM SIGN AREA AT PARCEL 21322 (MEMORIAL DRIVE)

Mayor Jones opened the floor for a Public Hearing regarding a Special Use Permit at Parcel 21322. Notice of the Public Hearing was published in the *Danville Register & Bee* on March 24, 2026, and March 31, 2026. No one present desired to be heard and the Public Hearing was closed.

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Vice Mayor Buckner **moved** for adoption of an Ordinance entitled:

ORDINANCE NO. 2026-04.01

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA GRANTING SPECIAL USE PERMIT APPLICATION PZ26-00191 FILED BY THE INDUSTRIAL DEVELOPMENT AUTHORITY FOR A WAIVER TO MAXIMUM SIGN AREA AT PARCEL ID #21322 (MEMORIAL DRIVE).

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

VOTE:	9-0
AYE:	Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY:	None (0)

CONSIDERATION OF A SPECIAL USE PERMIT APPLICATION FILED BY BLACKSTONE BUILDING GROUP, LLC TO ALLOW A WAIVER OF LOT FRONTAGE REQUIREMENTS AT VANDOLA ROAD, RIVERSIDE DRIVE AND KAYEWOOD LANE

Mayor Jones opened the floor for a Public Hearing regarding a Special Use Permit filed by Blackstone Building Group. Notice of the Public Hearing was published in the *Danville Register & Bee* on March 24, 2026, and March 31, 2026.

Division Director of Planning Renee Burton explained there was a Resolution and Ordinance for this item. The Resolution was to deny the request for the Special Use Permit and the Ordinance was for approval of the requested Special Use Permit. Ms. Burton noted staff's recommendation was denial of the request.

Mayor Jones recognized Rick Byers, the developer for Blackstone Building Group, who was here to answer any questions.

Mayor Jones recognized Frank Leist who spoke in support of approving the Special Use Permit.

Mayor Jones recognized a citizen, Luanne, a resident of Vandola Road, who spoke against the special use permit, citing concerns with the density of the project.

Mayor Jones recognized Joy Wood, resident of the Charlestown community, who spoke in support of the development. The developer was concerned about workforce housing and had designed a community where people can enjoy a lifestyle of convenience.

Mayor Jones recognized Diron Clements, a realtor in Danville at Wilkins & Co., who spoke in favor of this project

Mayor Jones recognized Cabell Barrow, an attorney representing Blackstone Building Group who noted he wanted to clarify one point on the evolution of the project that Ms. Woods brought up. She indicated that under the prior zoning classification, it was approvable as a planned unit development; Mr. Barrow clarified that it was approved by Council as a PUD and nothing has changed. It was when the zoning classification changed and the lot requirements were imposed on each individual unit within the former PUD, that the issue arose. It was the same size

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townhome that it has always been; it was the same number, 317 units in the entire projected development, including workforce housing, and the number of age restricted units was 96.

No one further desired to be heard, and the Public Hearing was closed.

Council Member Vogler **moved** for adoption of an Ordinance entitled:

ORDINANCE NO. 2026-04.02

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA GRANTING SPECIAL USE PERMIT APPLICATION PZ25-00424, FILED BY BLACKSTONE BUILDING GROUP, LLC TO ALLOW A WAIVER OF LOT FRONTAGE REQUIREMENTS ON PARCELS #78585, #77925, #71138, #77918, #77919, #77920, #77921 AND #77922 (VANDOLA ROAD, RIVERSIDE DRIVE AND KAYEWOOD LANE).

The Motion was **seconded** by Council Member Marshall.

Council Member Campbell questioned why staff wanted a denial and Ms. Burton noted the request before Council was a reduction of lot size. The Zoning Code stated lot sizes must be a minimum of 18 feet; the applicant has requested 16 feet. They have met on numerous occasions to work towards a compromise and have been unable to find that. The development could actually be developed at 18' and have the exact same number of units proposed at 16', but unfortunately, that was not something that has been approached by the applicant. There were also opportunities to shift the driveway; a shift of no more than 50' to the south could accommodate the same amount of units as proposed in Phase 1. They have discussed these items but have not come to a settlement yet. The current request was not compatible with the Comprehensive Plan nor the Zoning Code. Rev Campbell noted he would like to see a compromise of some type.

Mr. Byers noted he respectfully disagreed; they have done some planning. They were going to lose density and would have to reduce some amenities to make up the units. They have put a lot of thought into this project and it will cost hundreds of thousands of dollars to redraw a master plan and all the buildings all over again. They were actually forty-three units less than what the Council originally approved for this project. Mr. Byers stated this was originally designed as a townhome condominium and under a condominium ownership concept there were not lot lines. A townhome condominium versus a townhome on a fee simple lot were two different things. The right of way dedication and reimbursement program was not given to them when they started this project; that was what was causing all this. Ideally, if they were going to encourage both styles of development, both condominium and fee simple, the road reimbursement program developed in 2006 ought to be updated with all the new ordinances to match that.

Council Member Vogler stated this project was approved pre-PLAN Danville and Ms. Burton noted prior to its effective date, as a PUD, it was approved in July of 2024. Mr. Vogler noted he respected what the staff was doing, but the City needed housing, this project was approved and the City then changed the guidelines and Codes and asked the developer to spend hundreds of thousands of dollars more to come into compliance with it. Ms. Burton explained this project was approved as a PUD in 2024, however, the project was amended after that to create a project that had individual lots with attached dwellings or townhome dwellings. When that was altered to individual lots, there was a rezoning that required 18' wide lots. The 18' wide lots were the same in the previous code as they were in the current code; that has not changed. The addition of the lot lines was created so that the applicant or property owner may take advantage of a reimbursement agreement that has been on the books since at least early 2000's and available to developers.

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The Codes themselves, while altered overall, the numbers did not change for this particular application.

Council Member Campbell **moved** that this item go back to Planning Commission and come up with some type of way that they can compromise.

The Motion **FAILED** due to lack of a second.

The Original **Motion** was carried by the following vote:

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

CONSIDERATION OF A SPECIAL USE PERMIT APPLICATION FILED BY DA VILLE MANAGEMENT LLC TO ALLOW INDOOR COMMERCIAL RECREATION AT 401 SOUTH RIDGE STREET

Vice Mayor Buckner **moved** that this item be removed from the agenda and sent back to the Planning Commission for further review.

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA DENYING SPECIAL USE PERMIT PZ26-00194 FILED BY DA VILLE MANAGEMENT LLC TO ALLOW INDOOR COMMERCIAL RECREATION AT PARCEL ID #22399 (401 SOUTH RIDGE STREET).;

OR

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA GRANTING SPECIAL USE PERMIT PZ26-00194 FILED BY DA VILLE MANAGEMENT LLC TO ALLOW INDOOR COMMERCIAL RECREATION AT PARCEL 22399 (401 SOUTH RIDGE STREET).

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

VOTE: 9-0
AYE: Buckner, Campbell, Hood, Jones, Marshall
Mayo, Miller, Saunders and Vogler (9)
NAY: None (0)

CONSIDERATION OF A CODE AMENDMENT REQUEST FILED BY THE CITY OF DANVILLE TO AMEND CHAPTER 41 ENTITLED "CODE DANVILLE, THE UNIFIED DEVELOPMENT CODE OF DANVILLE, VIRGINIA" SPECIFICALLY AMEND ARTICLE 8 "ADMINISTRATION AND PROCEDURES."

Mayor Jones opened the floor for a Public Hearing regarding a Code Amendment Request. Notice of the Public Hearing was published in the *Danville Register & Bee* on March 24, 2026, and March 31, 2026. No one present desired to be heard and the Public Hearing was closed.

Vice Mayor Buckner **moved** for adoption of an Ordinance entitled:

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ORDINANCE NO. 2026-04.03

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AMENDING CHAPTER 41 ENTITLED "CODE DANVILLE, THE UNIFIED DEVELOPMENT CODE OF DANVILLE, VIRGINIA" OF THE CODE OF THE CITY OF DANVILLE, VIRGINIA, 1986, AS AMENDED, MORE SPECIFICALLY AMENDING ARTICLE 8 ENTITLED "ADMINISTRATION AND PROCEDURES".

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

VOTE: 9-0
AYE: Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY: None (0)

CONSIDERATION OF A CODE AMENDMENT REQUEST FILED BY THE CITY OF DANVILLE TO AMEND CHAPTER 41 ENTITLED "CODE DANVILLE, THE UNIFIED DEVELOPMENT CODE OF DANVILLE, VIRGINIA" SPECIFICALLY AMEND ARTICLE 7 "SUBDIVISIONS."

Mayor Jones opened the floor for a Public Hearing regarding a Code Amendment Request. Notice of the Public Hearing was published in the *Danville Register & Bee* on March 24, 2026, and March 31, 2026. No one present desired to be heard and the Public Hearing was closed.

Vice Mayor Buckner **moved** for adoption of an Ordinance entitled:

ORDINANCE NO. 2026-04.04

AN ORDINANCE REPEALING IN ITS ENTIRETY CHAPTER 35.5, ENTITLED "SUBDIVISION CODE", OF THE CODE OF THE CITY OF DANVILLE, VIRGINIA, 1986, AS AMENDED, AND ADOPTING CHAPTER 41 ENTITLED "CODE DANVILLE, THE UNIFIED DEVELOPMENT CODE OF DANVILLE, VIRGINIA" ARTICLE 7 ENTITLED "SUBDIVISIONS".

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

VOTE: 9-0
AYE: Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY: None (0)

CONSIDERATION OF AMENDING AND REORDAINING CHAPTER 2 OF THE DANVILLE CITY CODE AND REPEALING SECTIONS OF VARIOUS OTHER CHAPTERS

Council Member Saunders **moved** for adoption of an Ordinance entitled:

ORDINANCE NO. 2026-04.05

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA REPEALING AND REORDAINING IN ITS ENTIRETY CHAPTER 2, ENTITLED "ADMINISTRATION", AND REPEALING SECTIONS OF CHAPTERS 1.5, 4, 6, 8, 9, 18, 23, 25, 27, 32, 35, AND 39, OF THE CODE OF THE CITY OF DANVILLE, VIRGINIA, 1986, AS AMENDED.

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

VOTE: 9-0
AYE: Buckner, Campbell, Hood, Jones, Marshall Mayo, Miller, Saunders and Vogler (9)
NAY: None (0)

COMMUNICATIONS FROM VISITORS

Mayor Jones recognized Frank Leist who discussed the housing situation in Danville, including blight, housing conditions and possible solutions.

COMMUNICATIONS

There were no communications from the Deputy City Manager, Assistant City Manager Adkins, or City Clerk. Assistant City Manager Evans noted her congratulations and appreciation to Ms. Bobe on her departure from the City. City Attorney Clarke Whitfield noted a Happy Birthday to the Deputy City Manager.

Council Member Vogler stated the high utility costs and rates were concerning, and whether or not Council approved another utility increase. Mr. Vogler noted each year the City takes millions of dollars from Danville Utilities to put toward the General Fund. As long as the City was doing this, he cannot get behind a Utility increase. If the City did not take millions of dollars from Danville Utilities to the General Fund, the City will either have to cut back on items in the General Fund or get the money from somewhere else, and that was a conversation they need to have.

Vice Mayor Buckner noted there was a lot going on in the City. There were new light poles on Memorial Drive along Patriot's Way and questioned when they will be replacing the holders for the flags on those poles. Mr. Buckner noted the Riverfront Park grand opening was on May 1, 2026, with a formal invitation following, and on the 20th of this month there was a ribbon cutting for a pollinator garden opening in front of the HOME sign.

Council Member Campbell addressed Council regarding mailers on the gerrymandering issue in Virginia, and the use of images of former presidents and politicians.

Council Member Hood thanked Mr. Vogler for bringing up the Utility rates; Council needed to focus on helping the citizens. Mr. Hood would like to see on the website, how a citizen could read a meter/utility bill. Council hears concerns from the citizens, and that was Council's focus, listening to the citizens.

Council Member Marshall noted the Danville Police Department was accredited for the second time from the Commission of Accreditation of Law Enforcement Agents (CALEA) on Saturday, March 14, 2026. The Department received its initial accreditation from CALEA, considered the gold standard of public safety accreditation in 2022 following a process that began in 2020. Mr. Marshall noted the City was very fortunate to have them in Danville.

Council Member Mayo noted they hear everyday the concerns of the citizens, and about the utility costs; Council loves its City and cares for the citizens. They will study this and come up with a solution for the citizens.

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Council Member Miller thanked Parks & Recreation for the ribbon cutting date for the Riverfront Park and congratulated Mr. Reynolds on his birthday.

Council Member Saunders congratulated Mr. Reynolds on his birthday and asked everyone to pray for the world.

Mayor Jones noted a happy birthday to Mr. Reynolds and thanked Ms. Burton for the work she and her staff do. Mayor Jones noted citizens need more education to help to identify the things they need to correct to help with their utility bills; there were a lot of things that the City needed to do.

MEETING ADJOURNED AT 8:23 P.M.

APPROVED:

_____
MAYOR

ATTEST:

_____
CITY CLERK

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Council Letter
City of Danville, Virginia

CL - 2633 **CONSENT AGENDA B.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Amending the Fiscal Year 2026 Budget Appropriation Ordinance by Anticipating the Proceeds from the Issuance of Utility Revenue Bonds.

From: Henrietta Weaver, Budget Director

COUNCIL ACTION

An Ordinance Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for the Proceeds from the Sale of Utility Revenue Bonds and Appropriating Same.
Final Adoption

SUMMARY

The City Council has authorized the issuance of Revenue Bonds to finance various utility infrastructure projects. The attached ordinance is a flexible ordinance providing for posting of proceeds from the sale of bonds.

BACKGROUND

On March 17, 2026, City Council approved a Resolution providing for the issuance and sale of utility revenue bonds not to exceed $10,000,000 to finance various utility infrastructure projects.

RECOMMENDATION

It is recommended that the City Council adopt the attached ordinance amending the Fiscal Year 2026 Budget Appropriation Ordinance for utility revenue bonds.

Attachments

1. Ordinance

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026-_____- _____

AN ORDINANCE AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR THE PROCEEDS FROM THE SALE OF UTILITY REVENUE BONDS AND APPROPRIATING SAME

WHEREAS, the City of Danville, Virginia has issued revenue bonds in the amount of $9,000,000 to finance various utility infrastructure; and

WHEREAS, the Council of the City of Danville, Virginia approved on March 17, 2026, a Resolution providing for the issuance and sale of utility revenue bonds not to exceed $10,000,000.

NOW THEREFORE, BE IT ORDAINED by the Council of the City of Danville, Virginia that the Fiscal Year 2026 Budget Appropriation Ordinance be, and it is hereby, amended by the funds from the sale of bonds and appropriating same, as follows:

ANTICIPATED REVENUE

Description	Account No.	Amount
Wastewater Fund:		
Proceeds from the Sale of Bonds	61875000-43026	$ 2,500,000
	TOTAL	**$ 2,500,000**

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
Wastewater Fund:		
Southside Plant Improvements	61875999-50	$ 2,500,000
	TOTAL	**$ 2,500,000**

ANTICIPATED REVENUE

Description	Account No.	Amount
Electric Fund:		
Proceeds from the Sale of Bonds		
Substation Upgrades and Rebuilds	61029000-43026	$ 3,500,000
Electric System Reliability	61789000-43026	3,000,000
	TOTAL	**$ 6,500,000**

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
Electric Fund:		
Substation Upgrades and Rebuilds	61029999-50	$ 3,600,000
Electric System Reliability	61789999-50	3,000,000
	TOTAL	**$ 6,500,000**

AND BE IT FURTHER ORDAINED that this appropriation shall be a flexible budget allowing for the posting of the proceeds to the appropriate accounts to accommodate the actual bond issuance costs; and

BE IT FINALLY ORDAINED that all other accounts and provisions of the Fiscal Year 2026 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 - 2690 **OLD BUSINESS A.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Authorizing Utilization of the Virginia Water Supply Revolving Fund.

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

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COUNCIL ACTION

An Ordinance of the Council of the City of Danville, Virginia Authorizing the Issuance of Utility System Revenue Bonds of the City of Danville, Virginia in the Maximum Aggregate Principal Amount of $6,700,000.00 to Finance Various Expenditures for its Water, Sewer, Electric, and Gas Utility Systems. ***Final Adoption***

SUMMARY

The Virginia Department of Health has authorized the City of Danville to receive a total of $12,201,000 through the Virginia Water Supply Revolving Fund towards its Water Main Replacement and Lead Service Line Replacement projects. This funding is treated as a low-interest revenue bond; however, there is principal forgiveness of $5,524,620, which will result in a net amount owed of $6,676,380.

BACKGROUND

In the Fiscal Year 2026 Capital and Special Projects Budget, City Council approved the Water Line Reconstruction Project and the Lead Service Line Replacement Project with the intention of using the financing program offered through the Virginia Water Supply Revolving Fund through the Virginia Department of Health.

The Water Line Reconstruction Project will allow for planned, non-emergency, and systematic replacement of water mains, resulting in improvements to water quality, fire protective services, and system reliability. The City has 331 miles of water mains in its system; more than 144 miles are cast iron and another 8.6 miles are galvanized steel. More than 34 miles of the cast iron are 80 years old, or older.

The Lead Service Line Replacement Project is a result of the 2021 Infrastructure Investment and Jobs Act that was passed by the federal government. All water utilities had to complete a lead service line inventory by October 2024. This project provides funding to replace the lead and galvanized lines located on both the City side and customer side of the water meter. This funding will be available to homeowners who need financial assistance to replace their private lead or galvanized service lines.

This program, through the Virginia Water Supply Revolving Fund, allows the City to access over $12 million of funding for these needs, while only having to repay about 55%. The amount owed is treated as a low-interest revenue bond and will be repaid over future years with revenues generated from water operations.

RECOMMENDATION

Staff recommends adoption of this Ordinance, allowing the City of Danville to utilize funding available through the Virginia Water Supply Revolving Fund.

Attachments

1. Ordinance

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026-____.___

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING THE ISSUANCE OF UTILITY SYSTEM REVENUE BONDS OF THE CITY OF DANVILLE, VIRGINIA IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF $6,700,000.00 TO FINANCE VARIOUS EXPENDITURES FOR ITS WATER, SEWER, ELECTRIC, AND GAS UTILITY SYSTEMS.

WHEREAS, the City Council (the "Council") of the City of Danville, Virginia (the "City"), desires to issue utility system revenue bonds (a) to finance capital improvement projects for the City's water, sewer, electric and gas utility systems, including but not limited to (1) a lead service line identification and replacement project, together with related expenses, and (2) a water main replacement project, together with related expenses (collectively, the "Projects"), and (b) to pay related costs of issuance.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Danville, Virginia, that:

1. It is determined to be necessary and expedient for the City to undertake the Projects, all of which are determined to promote the development and public welfare of the City, to borrow money for such purposes and to issue the City's bonds therefor.

2. Pursuant to the City Charter and the Public Finance Act of 1991, there are hereby authorized to be issued and sold utility system revenue bonds (the "Bonds") of the City in the maximum aggregate principal amount of Six Million Seven Hundred

Thousand and 00/100 Dollars ($6,700,000.00) to finance and pay, together with other available funds, the costs to plan, design, acquire, construct, extend, renovate, equip and/or improve the Projects and to pay related costs of issuance.

3. The Bonds shall be dated such date or dates, mature at such time or times not exceeding forty (40) years from their dates, bear interest at such rate or rates, be in such denominations and form, be executed in such manner and be sold in one or more series at such time or times and in such manner as the Council shall hereafter provide by appropriate resolution or resolutions.

4. The Bonds shall be limited obligations of the City payable solely from the revenues of the City's water, sewer, electric and gas utility systems. Neither the faith and credit of the Commonwealth of Virginia nor the faith and credit of any county, city, town or other political subdivision of the Commonwealth, including the City, shall be pledged to the payment of principal of or premium, if any, or interest on the Bonds.

5. The City Clerk, in collaboration with the City Attorney, is authorized and directed to see to the immediate filing of a certified copy of this Ordinance in the Circuit Court of the City of Danville.

6. This Ordinance shall take effect immediately.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

Council Letter
City of Danville, Virginia

CL - 2627 **NEW BUSINESS A.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Request to Amend Chapter 41 to include “Data Centers”.

From: Renee Burton, Division Director of Planning

COUNCIL ACTION

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Amending Chapter 41 Entitled “Code Danville, The Unified Development Code of Danville, Virginia” of the Code of the City of Danville, Virginia, 1986, As Amended, More Specifically to Amend Article 3 Section B Entitled “Use Standards” and Article 9 Entitled ‘Glossary” to Include “Data Center”.

SUMMARY

Following unanimous recommendation by the Planning Commission, consider adding a definition of "data center" with use and location standards to the City Code. This will allow data center construction and operation in Danville.

BACKGROUND

Tax incentives, strong fiber networks, and reliable energy have attracted a large market for data centers within the Commonwealth. Northern Virginia makes up thirteen percent (13%) of the global operations of data centers and twenty-five percent (25%) of American operations. There are currently no data centers located within Danville city limits.

In recent months, staff has received inquiries about locating a data center operation within the City of Danville. At the request of the City Manager, research was completed to gain more insight into the operations of data centers, the land use policies that regulate them, and a review of the City’s Unified Development Code (UDC) and Comprehensive Plan. After presenting the research, at the request of City Council, staff were tasked with drafting amendments to add data centers as a defined use within the UDC.

Staff recommends the following amendment to Article 9 "Glossary" of Chapter 41 entitled “CODE Danville the Unified Development Code of Danville, Virginia” of the City of Danville, 1986 as amended. Language proposed to be added is in italics.

Data Center. An industrial facility containing one or more large scale computers for the use of electronic data storage, management, transmittance, and/or processing for on- and off-site users. Operations include without limitation, data entry, storage, conversion or analysis, subscription and credit card transaction processing, internet service providers, telephone sales and order collection, mail order and catalog sales, mailing list preparation and Bitcoin operations.

Staff recommends the following amendment to Article 3 "Uses and Use Standards" of Chapter 41 entitled “CODE Danville the Unified Development Code of Danville, Virginia” of the City of Danville, 1986 as amended. Language proposed to be added is in italics.

41.3.B.20

20. Data Center

1. The perimeter of a property used for the operation of a data center may not be within 500 feet of any property that allows residential use by right in accordance with Table 3.A-2.

2. A data center may not operate on a parcel that is less than 150 acres in size.

3. Buffers and setbacks

- *Ground equipment or screening may not be located within the yard setbacks.*
- *A minimum vegetative buffer of 20 feet*

4. Operations may not be located within an Industrial Park.

5. Screening

- *All equipment used to operate the facility, including generators, shall be fully enclosed. The Planning Director may grant a waiver if determined that an enclosure is not mechanically feasible.*
- *When it is not mechanically feasible, the equipment must be surrounded by opaque screening.*
- *All ground equipment must be surrounded by opaque screening.*

On April 13, 2026, the City Planning Commission voted 6-0 to approve Code Amendment request PZ26-00229 filed by the City of Danville to amend Chapter 41 entitled “CODE Danville The Unified Development Code of Danville, Virginia” of the City of Danville, 1986 as amended.

RECOMMENDATION

It is recommended that City Council adopt an ordinance approving Code Amendment request PZ26-00229 filed by the City of Danville to amend Chapter 41 entitled “CODE Danville The Unified Development Code of Danville, Virginia” of the City of Danville, 1986 as amended. Specifically, amend Article 3 “Uses and Use Standards,” and Article 9 “Glossary” to include “Data Centers.”

Attachments

1. Ordinance
2. Memorandum
3. Planning Commission Recommendation

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026-_____.____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AMENDING CHAPTER 41 ENTITLED “CODE DANVILLE, THE UNIFIED DEVELOPMENT CODE OF DANVILLE, VIRGINIA” OF THE CODE OF THE CITY OF DANVILLE, VIRGINIA, 1986, AS AMENDED, MORE SPECIFICALLY TO AMEND ARTICLE 3 SECTION B ENTITLED “USE STANDARDS” AND ARTICLE 9 ENTITLED ‘GLOSSARY” TO INCLUDE “DATA CENTER”.

NOW THEREFORE, BE IT ORDAINED, by the Council of the City of Danville, Virginia, that the report of the City Planning Commission recommending approval of an amendment to Chapter 41 entitled, “CODE Danville, The Unified Development Code of the City of Danville, Virginia” of the Code of the City of Danville, Virginia, 1986, as amended, specifically, to amend Article 3 Section B and Article 9 to include “Data Center” be, and the same is hereby, received; and

BE IT FINALLY ORDAINED, by the Council in consideration of said report and the public hearing this day held by Council, specifically, to amend Article 3 Section B and Article 9 to include “Data Center”, of Chapter 41 entitled, entitled “CODE Danville, The Unified Development Code of the City of Danville, Virginia”, 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:

41.3.B.20

20. Data Center

1. The perimeter of a property used for the operation of a data center may not be within 500 feet of any property that allows residential use by right in accordance with Table 3.A-2.

2. A data center may not operate on a parcel that is less than 150 acres in size.

3. Buffers and setbacks

- Ground equipment or screening may not be located within the yard setbacks.

- A minimum vegetative buffer of 20 feet

4. Operations may not be located within an Industrial Park.

5. Screening

- All equipment used to operate the facility, including generators, shall be fully enclosed. The Planning Director may grant a waiver if determined that an enclosure is not mechanically feasible.

- When it is not mechanically feasible, the equipment must be surrounded by opaque screening.

- All ground equipment must be surrounded by opaque screening.

41.9.A.4

a. Data Center.

1. An industrial facility containing one or more large-scale computers for the use of electronic data storage, management, transmittance, and/or processing for on- and off-site users. Operations include without limitation, data entry, storage, conversion or analysis, subscription and credit card transaction processing, internet service providers, telephone sales and order collection, mail order and catalog sales, mailing list preparation and Bitcoin operations.

Approved:

_____
Mayor

Attest:

_____
City Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

Memorandum

To: Mayor Jones and City Council

From: Ken Larking, City Manager

Date: February 17, 2026

Subject: Data Center Evaluation

Introduction

Tax incentives, strong fiber networks, and reliable energy have attracted a large market for data centers within the Commonwealth. Northern Virginia makes up 13 percent of the global operations of data centers and 25 percent of American operations. There are currently no data centers located within the city limits.

In recent months, Staff has received inquiries about locating a data center operation within the city limits. At the request of the City Manager, research was completed to gain more insight into the operations of data centers, land use policies that regulate them, and a review of the City's Unified Development Code (UDC) and Comprehensive Plan.

Benefits of Data Center Development

If carefully planned, data centers can benefit a community for the following reasons:

- Stable and significant tax revenue
- Limited demand for public services, except utility consumption
- Infrastructure upgrades that can improve reliability
- Since Danville owns and operates all four utilities and has broadband, the city has more ability to control the impacts of data center development

Potential Impacts of Data Centers

Energy Use

The City has received several inquiries from large data center operators requiring electric capacity ranging from 10 to 200 megawatts. This level of electric service is only available in limited areas of the City and, in some cases, requires coordination with upstream transmission and generation providers. To address these requests, the City has developed an Energy Services Agreement to govern new large-load interconnections. This agreement is intended to protect the City from stranded infrastructure costs should

a customer discontinue operations before those costs are recovered through electric rates. The typical capital investment associated with serving a large data center is estimated at $10 million to $15 million and come with a timeframe of 18–24-month construction timeframe. These upgrades may include transformers, transmission extensions, and construction of a dedicated substation to meet the customer's load requirements.

Water Use

Water use associated with a data center varies depending on facility size, cooling technology, and operational design. Some data centers rely on water based or evaporative cooling systems, which can result in substantial water demand during peak operating conditions, while others utilize air-cooled or closed loop systems that significantly reduce water consumption. The City's ability to serve a data center is limited due to the capacity of existing water distribution infrastructure. As a result, water availability is highly site specific, and service can only be provided where adequate infrastructure exists or where improvements are funded and constructed. Any proposed data center would require detailed engineering review to evaluate system impacts and determine whether infrastructure upgrades are necessary. Some of the upgrades could take 2-3 years to complete once engineered and funded.

Noise

All industrial uses must adhere to the Noise Ordinance regulations present in City Code §23.1. The audible operation noises from data centers are likely comparable to existing industrial uses in the city. Based on research, the loudest component of a data center is the use of backup diesel generators. These generators are tested monthly to ensure peak operable conditions. Testing takes an average of 30 minutes.

Appearance

The average height of a data center floor is 20'. Data centers may vary from single to multi-level. The maximum height allowed by right for a primary structure within the IM, Innovation and Manufacturing Zone, is 80' and 60' for an accessory structure. Either of these heights may be increased by City with the granting of a Special Use Permit.
There are no architectural controls for property developed within the IM Zone and outside of an Industrial Park. Industrial Parks have architectural controls regulated by a protective covenant.

Data centers also require exterior mechanical equipment. The IM zone does not require screening of exterior mechanical equipment.

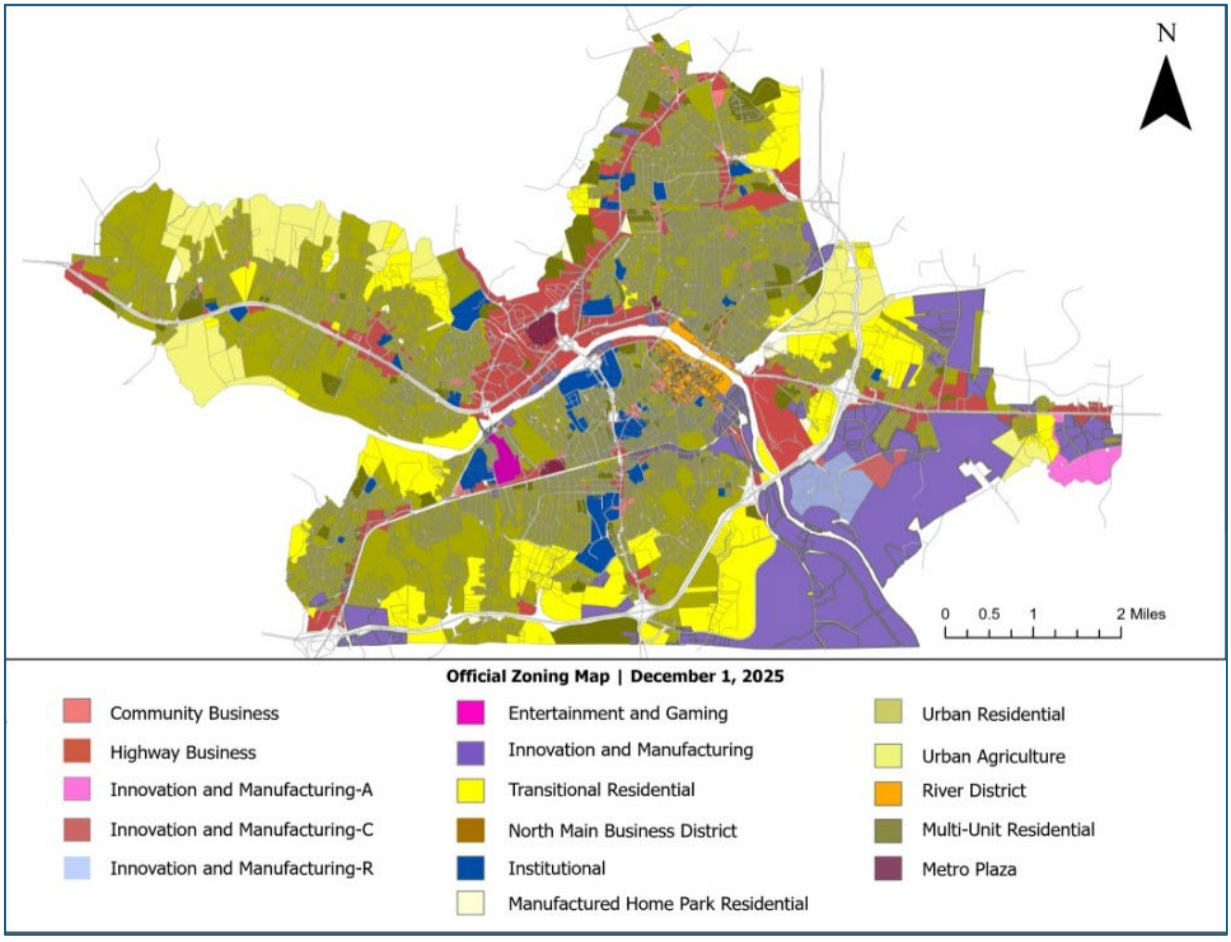
Impact Analysis

Previously, Data Centers were allowed by-right within the LED-I, Light Economic Development Industrial Zone. The LED-I zoning classifications were present throughout the city and within the Airside Industrial Park.

All uses within the Airside Industrial Park must comply with the regulations set forth in the Protective Covenant. A data center is not a use that is identified within the Protective Covenant as allowed or prohibited. Therefore, additional review by the Development Review Committee for Airside Industrial Park was required before a data center operation could be located in the Industrial Park.

Data Center operations are not within our current Unified Development Code (UDC), previously known as the Zoning Code. The lack of regulation or identified zoned for location and operation prohibits a data center operation within the City limits.
Data Centers are also not identified within our Comprehensive Plan, PLANDanville. Changes that may be proposed for the UDC will not require changes to our Comprehensive Plan.

The average height of a data center floor is 20'. Data centers may vary from single to multi-level. The maximum height allowed by right for a primary structure within the IM, Innovation and Manufacturing Zone, is 80' and 60' for an accessory structure. Either of these heights may be increased by the City with the granting of a Special Use Permit.
Industrial uses have a minimum parking requirement of three (3) parking spaces per employee. Data center uses have a minimal number of employees compared to other industrial uses. I believe the current parking regulations are adequate for this use.



Locality Comparisons

In the creation of this document, the Zoning Code of several localities within the Commonwealth of Virginia were researched. A summary of those localities is below. These localities were chosen to include in this document to demonstrate the variety of land use policies that have been employed within the Commonwealth.

Chesterfield County

Chesterfield County allows data centers by-right in three of their zoning districts: General Business District (C-5 District); General Industrial District (I-2 District) and the Heavy Industrial District (I-3 District). They are allowed in three additional districts with conditions: Community Business District (C-3 District), Regional Business District (C-4 District) and the Light Industrial District (I-1 District). Specifically, the conditions limit any outside utility infrastructure to a maximum of one generator, which may not exceed the greater of 200 square feet, or one percent of the gross floor area of the principal use; and the generator must be screened. Finally, data centers are allowed as a conditional use in the Agricultural District (A-1 District). Chesterfield defines data centers as:

- Data Center: A facility used primarily for the storage, management, processing, and transmission of digital data, which houses computer and/or network equipment, systems, servers, appliances and other associated components related to digital data operations. A facility may also include air handlers, power generators, water cooling and storage facilities, utility substations, and other associated utility infrastructure to support the operations.
- Data Services Office: A facility used primarily for the storage, management, processing, and transmission of digital data which is stored in a cloud and is accessible by a wide range of systems and devices. Such facility does not have outside air handlers, power generators, water cooling, storage facilities, utility substations and other outside utility infrastructure to support the operation.

Fairfax County

Fairfax County allows data centers in some commercial and industrial districts. Certain commercial districts, similar to our business districts, allow them by-right up to 40,000 square feet of gross floor area. Large data centers require the approval of a special exception. The same is true in most of their industrial districts; however, the by-right size limit is higher at 80,000 square feet of gross floor area, except in the most intensive industrial districts, I-5 and I-6, where there is no size limit. Fairfax defines data centers as:

- Data Center Definition: A facility containing one or more large-scale computer systems used for data storage and processing for off-site users. Typical supporting equipment includes back-up batteries and power generators, cooling units, fire suppression systems, and enhanced security features.

- Data centers are also subject to certain regulations as follows:
    - Screening
        - Cooling, ventilating and other equipment used to operate the facility, including generators, must be fully enclosed unless the Planning Director determines it is not mechanically feasible.
        - Where not mechanically feasible, this equipment must be screened by a wall or similar barrier.
        - If located on the ground, such equipment must be screened from view from abutting lots and street rights-of-way by a solid wall or building.
    - Distance requirements
        - Data center buildings must be located at least 200 feet from the lot line of any property zoned residential or used for residential purposes.
        - Any equipment located on the ground that is used for cooling, ventilating or otherwise operating the facility, including power generation, must either be located at least 300 feet from the lot line of a residential district or property with a residential use, or separated from such property by the principal data center building.
        - Distance requirements from residential districts and uses may be reduced by special exception. These requests should include items like changes in building height or other design techniques to provide variation in building mass as viewed from the nearby residential district.
    - Noise study
        - A noise study is required to demonstrate the data center will comply with the Fairfax County Noise Ordinance.
    - Architectural features
        - Where allowed by-right, certain architectural features are required, such as changes in building façade materials and the use of doors, windows or faux windows to break up the building expanse.

<u>Loudoun County</u>

Loudoun County recently amended its zoning ordinance to remove data centers as a by-right use, requiring approval of a special exception by the Board of Supervisors. Plans of development for data center development that had been accepted prior to the Board's action were vested or "grandfathered" under the previous provisions of the Loudoun zoning ordinance. This enhanced typical standards, where approved plans of development are considered vested, but where plans that had merely been submitted would not have been. In addition to several design standards, Loudoun County requires a 200-foot setback for data center buildings, with the parking lots serving them to meet a 50-foot setback requirement. Loudoun defines data centers as:

- Data Center Definition: An establishment engaging in the storage, management, processing, and/or transmission of digital data, and housing computer and/or network equipment, systems, servers, appliances, and other associated components related to digital data operations.

Pittsylvania County

Pittsylvania County recently created the Southern Virginia Mega Site District (M-SVMS). This district is to be placed on parcels located within the Southern Virginia Mega Site at Berry Hill. The M-SVMS sets specific standards for data centers.

- Data Center Definition: A facility used primarily for the storage, management, processing, and transmission of digital data, which houses computer and/or network equipment, systems, servers, appliances, and other associated components related to digital data operations. Such facility may also include air handlers, power generators, water cooling and storage facilities, utility substations, security booths, and other associated utility infrastructure, security infrastructure, accessory structures, storage areas and ancillary uses that support development of and operations at a Data Center.
    - Height: 150 feet including mechanical equipment.
    - Screening: Exterior mechanical equipment must be screened with a solid screening wall that is architecturally compatible with the primary structure.
    - Principal facade: must incorporate facade articulation
    - Setbacks: guard houses 250 feet from property lines and mechanical equipment 100 feet from property lines.
    - Buffer: 100-foot yard buffer with screening is required

Prince William County

Prince William County has a Data Center Opportunity Zone Overlay District that encompasses several of their office and industrial zoning districts. Within the overlay district, data centers are permitted by right in office and industrial zoning districts. Outside the overlay district, data centers are allowed by special use permit, except for agricultural, residential and certain other districts where they are not permitted.

- Data Center Definition: Computer and Network Services shall mean a use involving a building/premise in which a majority of the use is occupied by people and staff engaged in activities related to work that is focused on supporting computers and/or telecommunications and related equipment where information is processed, transferred and/or stored. This includes satellite dish facilities, internet service providers, network operations centers and web teleconferencing facilities, but shall not include a Data Center.

  Data Center shall mean a use involving a building/premise in which the majority of the use is occupied by computers and/or telecommunications and related

equipment, including supporting equipment, where information is processed, transferred and/or stored.

Recommendations

Localities within the Commonwealth of Virginia address the operations of data centers with Overlay Districts, Special Use Permits and By-Right uses. Because Data Centers are not currently addressed in the City of Danville's UDC there is no current location within the city limits that an operation of a Data Center may take place. To allow for the operation of a Data Center, the following changes must be made to the UDC:

- Create a definition of a Data Center
- Add Data Center to Table 3.A.2: Comprehensive Use Permissions Table
- Add use standards for the operation of a Data Center in 41.3.B
    - If the proposed use standards require compliance with the Noise Ordinance, update Chapter 23.1 of the City Code.

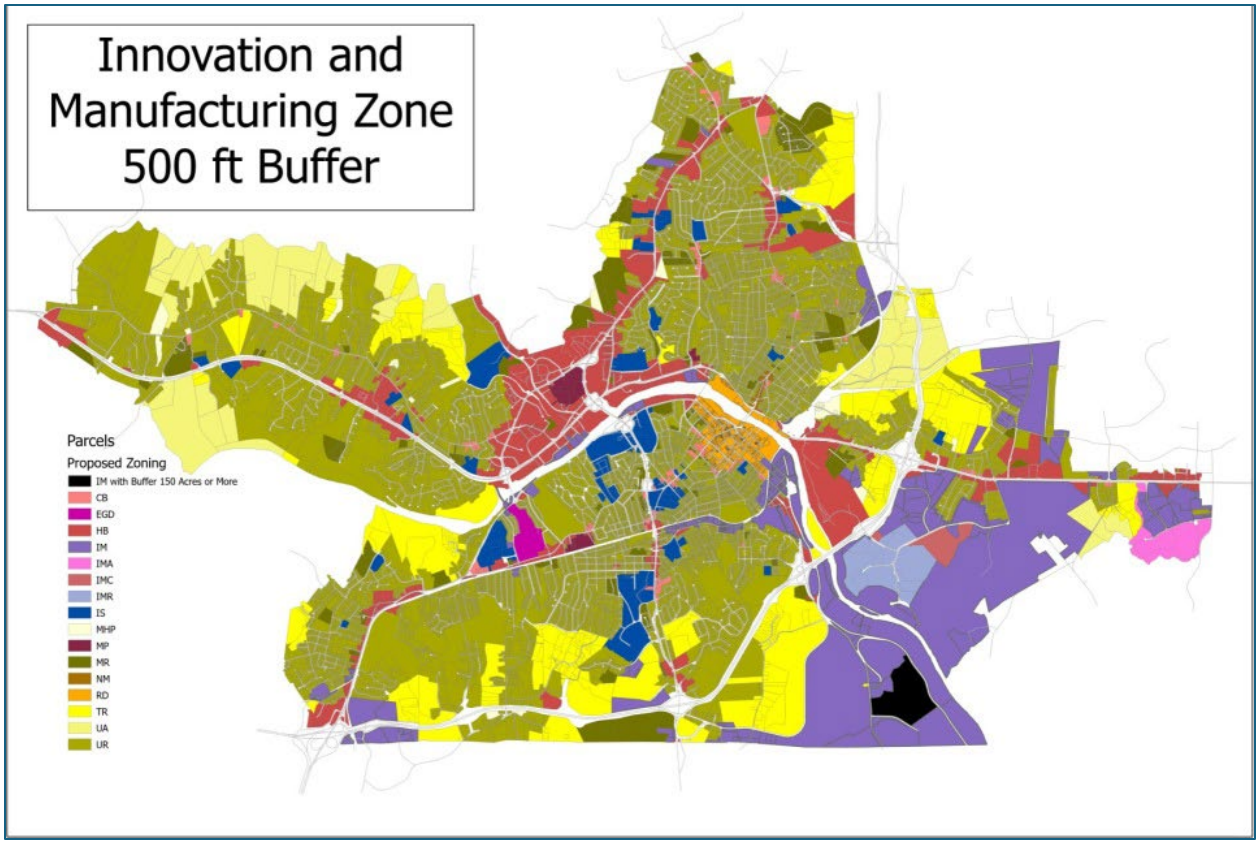
Draft UDC changes

Data Center Definition: An industrial facility containing one or more large scale computers for the use of electronic data storage, management, transmittance, and/or processing for on- and off-site users. Operations include without limitation, data entry, storage, conversion or analysis, subscription and credit card transaction processing, internet service providers, telephone sales and order collection, mail order and catalog sales, mailing list preparation and Bitcoin operations.

41.3.B.20

20. Data Center

1. The perimeter of a property used for the operation of a data center may not be within 500 feet of any property that allows residential use by right.
2. A data center may not operate on a parcel that is less than 150 acres in size.
3. Buffers and setbacks
    - Ground equipment or screening may not be located within the yard setbacks.
    - A minimum of vegetative buffer of 20 feet
4. Operations may not be located within an Industrial Park.
5. Screening
    - All equipment used to operate the facility, including generators, shall be fully enclosed. The Planning Director may grant a waiver if determined that an enclosure is not mechanically feasible.
        - When it is not mechanically feasible, the equipment must be surrounded by opaque screening.
        - All ground equipment must be surrounded by opaque screening.



Recommended Actions and Timeline

It is recommended that changes to the UDC be presented by Planning Staff to the City Planning Commission and City Council for review and consideration.

Since the major advantage of data centers is the tax revenue generated, staff recommends a $1.25 Data Center Tax Rate, which will be included in the FY 2026-27 Budget recommendation.

Action	Date
Application Deadline	March 16, 2026
Planning Commission	April 13, 2026
City Council	May 5, 2026

CITY OF DANVILLE
Community Development
Division of Planning and Zoning

MEMORANDUM

DATE: APRIL 13, 2026
TO: CITY COUNCIL
FROM: CITY PLANNING COMMISSION
RE: CODE AMENDMENT REQUEST PZ26-00229

Code Amendment request PZ26-00229 filed by the City of Danville to amend Chapter 41 entitled "CODE Danville The Unified Development Code of Danville, Virginia" of the City of Danville, 1986 as amended. Specifically, amend Article 3 "Uses and Use Standards", and Article 9 "Glossary" to include "Data Centers".

RECOMMENDATION

The Planning Commission, at their April 13, 2026, meeting voted 6-0 to recommend approval of Code Amendment request PZ26-00229.

Steve Petrick (SW)
Mr. Steve Petrick, Chair

Council Letter
City of Danville, Virginia

CL - 2632 **NEW BUSINESS B.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Special Use Permit at 145 Holt Garrison Parkway Suite 410.

From: Renee Burton, Division Director of Planning

COUNCIL ACTION

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Granting Special Use Permit Application PZ26-00223 filed by JLF Innovations, Inc. to Allow Indoor Commercial Recreation in Accordance with Chapter 41.3.A at Parcel ID# 73158 (145 Holt Garrison Parkway, Suite 410).

SUMMARY

Following the unanimous recommendation of the Planning Commission, consider allowing JLF Innovations, Inc. to operate indoor commercial recreation (a retail LEGO/hobby store) at 145 Holt Garrison Parkway.

BACKGROUND

The applicant, JLF Innovations, Inc., requests a Special Use Permit to allow indoor commercial recreation at Parcel 73158 (145 Holt Garrison Parkway, Suite 410). The property is zoned HB, Highway Business, and is the future home of Bricks and Minifigs Danville, a retail LEGO/hobby store. The applicant proposes to expand operations to include staff-supervised birthday parties and structured STEM educational classes.

The subject property is located within Coleman Marketplace, a commercial center containing retail and service-oriented businesses, all of which are zoned HB, Highway Business, and is designated Convenience Commercial on the Future Land Use Map, which supports retail and office uses.

The commercial recreation activities will take place entirely indoors and within the business's existing operating hours: Monday through Friday from 11:00 a.m. to 8:00 p.m., Saturdays from 10:00 a.m. to 8:00 p.m., and Sundays from 12:00 p.m. to 6:00 p.m. The applicant expects to employ two to three staff members during regular retail hours and three to five employees during scheduled events or peak periods.

Thirteen (13) notices were mailed to property owners within 300 feet of the subject property. One (1) unopposed response was received.

On April 13, 2026, the City Planning Commission voted 6-0 to approve PZ26-00233 filed by JLF Innovations, Inc. to allow indoor commercial recreation in accordance with Chapter 41.3.A at Parcel 73158 (145 Holt Garrison Parkway Suite 410).

The proposed use is compatible with the Comprehensive Plan, the surrounding commercial context, and the established operational characteristics of the corridor. Specifically, support for this project aligns with the following PLAN Danville goals:

- Ch. 2 - Land Use: To better connect Danville residents to amenities and encourage growth in existing developed areas
- Ch 3 - Transportation: To establish activity centers within the existing transportation network
- Ch. 6 - Economy: To support small businesses and entrepreneurs; and to invest in commercial districts
- Ch. 7 - Environment: To support low impact development through use of existing buildings/structures
- Ch. 8 - Culture: To create paths for all community members to celebrate their unique identities

RECOMMENDATION

It is recommended that City Council adopt an ordinance approving Special Use Permit application PZ26-00223 to allow indoor recreation in accordance with Chapter 41.3.A at Parcel 73158 (145 Holt Garrison Parkway Suite 410).

Attachments

1. Ordinance
2. Application
3. 145 Holt Garrison Pkwy Ste 410 Aerials Map
4. 145 Holt Garrison Pkwy Ste 410 Owners Zoning Map
5. Planning Commission Recommendation

PRESENTED:_____

ADOPTED: _____

ORDINANCE NO. 2026____.____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA GRANTING SPECIAL USE PERMIT APPLICATION PZ26-00223 FILED BY JLF INNOVATIONS, INC. TO ALLOW INDOOR COMMERCIAL RECREATION IN ACCORDANCE WITH CHAPTER 41.3.A AT PARCEL ID# 73158 (145 HOLT GARRISON PARKWAY, SUITE 410).

WHEREAS, in accordance with the Code of the City of Danville, Virginia, 1986, as amended, JLF Innovations, Inc., has requested a Special Use Permit to allow indoor commercial recreation at Parcel ID #73158 (145 Holt Garrison Parkway, Suite 410).

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Danville Virginia, that the report of the Planning Commission recommending approval of Special Use Permit application PZ26-00223 filed by JLF Innovations, Inc. to allow indoor commercial recreation in accordance with Chapter 41.3.A at Parcel 73158 (145 Holt Garrison Parkway Suite 410), is hereby received; and

BE IT FINALLY ORDAINED that, in consideration of said report and the public hearing this day held by Council, Special Use Permit application PZ26-00223 filed by JLF Innovations, Inc. to allow indoor commercial recreation in accordance with Chapter 41.3.A at Parcel 73158 (145 Holt Garrison Parkway Suite 410) of the City of Danville, Zoning District Map, is hereby granted and approved.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

a. The Comprehensive Plan.
b. The applicable zoning district.
c. The surrounding properties.
d. Current and future neighborhood conditions.
e. Pedestrian and vehicular traffic patterns, on-site and off-site.
f. Adequate public facilities.

4. When requested by the Director of Planning/Zoning Administrator, the Planning Commission, or the City Council, the following information shall be provided by the applicant:
   a. The architectural elevations and floor plans of proposed building(s).
   b. Traffic impact analysis.
   c. Fiscal impact analysis.
   d. Parking and site circulation analysis.
   e. Photographs of property and surrounding area.
   f. Environmental impact statement.

Property Location: 145 Holt Garrison Parkway, Suite 410, Danville, VA 24540

Describe Proposed Request: Please see attached letter.

Applicant's Signature

Date

Commonwealth of Virginia

City of Danville

The foregoing instrument was acknowledged before me this 20th **day of** February, 2026

by Lisa Jones

Lisa Kingery Jones

Notary Public

Registration No.: 7753419 **Expires:** 05/31/2029

Lisa Kingery Jones
- NOTARY PUBLIC -
Reg.#7753419, Commonwealth of Virginia
My Commission Expires on May 31, 2029

Owner's Signature
(if not applicant)

2/19/2026
Date

Commonwealth of Virginia

City of Danville

The foregoing instrument was acknowledged before me this 19 **day of** February, **20** 26

by Phillip Flippen

Whitney Asha Russell
Notary Public

Registration No.: 7988500 **Expires:** August 31, 2026

WHITNEY ASHA RUSSELL
NOTARY PUBLIC
REG. # 7988500
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES AUGUST 31, 2026

City of Danville, Virginia (Division of Planning and Zoning)

Written Statement of Proposed Project Compatibility

Property Location:

145 Holt Garrison Parkway, Suite 410, Danville, Virginia 24540

Describe Proposed Request:

JLF Innovations, Inc, dba Bricks and Minifigs Danville (the applicant), a independent owner of the Bricks and Minifigs Franchising Inc, proposes to operate a hobby/toy retail store with accessory indoor birthday parties and structured STEM educational classes/trainings within its existing commercial building.

1. Description of Proposed Use

The primary use of the property will be a **retail sales establishment** specializing in LEGO products and related merchandise.

Accessory to the principal retail use, the business will offer:

- **Indoor Birthday Parties** (reservation-only, staff-supervised)
- **STEM Educational Classes and Trainings**, including robotics, engineering challenges, and structured skill-based workshops

All activities will occur entirely within the enclosed building. No outdoor events, exterior sound amplification, temporary structures, or site alterations are proposed.

Hours of Operation:

- **Monday – Friday:** 11:00 AM – 8:00 PM
- **Saturday:** 10:00 AM – 8:00 PM
- **Sunday:** 12:00 PM – 6:00 PM

Birthday parties and STEM classes will occur only within these operating hours.

Employees:

- Estimated **2–3 employees on-site during standard retail hours**
- Up to **3–5 employees during scheduled events or peak**

periods

Staffing levels are consistent with small-scale neighborhood-serving retail establishments.

2. Compatibility with the Comprehensive Plan

The proposed use supports the City of Danville Comprehensive Plan goals promoting:

- Economic development and small business growth
- Activation of commercial corridors
- Youth enrichment and educational programming
- Community-oriented retail and service uses

The inclusion of structured STEM programming aligns with community objectives to expand educational opportunities and workforce skill development in science, technology, engineering, and mathematics.

3. Consistency with the Applicable Zoning District

The proposed retail use is consistent with commercial zoning districts that permit retail sales establishments.

Birthday parties and STEM classes are clearly **accessory uses**, incidental and subordinate to the principal retail function, and are comparable in intensity and character to typical commercial indoor instructional or personal service activities permitted within commercial districts.

No expansion of building footprint, change in intensity beyond typical retail operations, or deviation from zoning performance standards is proposed.

4. Surrounding Properties

The property is located within a commercial area characterized by retail and service-oriented businesses. Specifically, the space is a suite next to Bath and Body Works and Target at the Coleman Marketplace Center. The proposed use is compatible in scale, character, and intensity with surrounding commercial properties and does not introduce industrial, high-noise, or late-night activity.

All activities are family-oriented, low-impact, and fully contained indoors.

5. Current and Future Neighborhood Conditions

The proposed use enhances the commercial corridor by:

- Increasing daytime and early evening activity
- Providing youth-focused programming
- Supporting family-centered community engagement

The use does not introduce adverse operational characteristics such as outdoor gatherings, amplified music, or late-night activity.

6. Pedestrian and Vehicular Traffic Patterns

Traffic generation is expected to be consistent with standard retail peak periods.

- Birthday parties are reservation-based and staggered.
- STEM classes have defined start and end times.
- Attendance is limited and controlled.

Parking demand will remain consistent with existing retail capacity. No changes to site circulation or access are proposed.

7. Adequacy of Public Facilities

The existing building is connected to public water, sewer, and utilities. The proposed use will not create demand exceeding typical retail commercial use. No additional public infrastructure improvements are required.

Conclusion

The proposed retail store with accessory birthday parties and STEM educational programming is consistent with:

- The City of Danville Comprehensive Plan
- The applicable commercial zoning district
- Surrounding commercial land uses
- Existing neighborhood conditions and infrastructure capacity

All activities are indoor, controlled, reservation-based when applicable, and operate within established business hours. The use is low-impact, family-oriented, and enhances the vitality of the commercial corridor while remaining fully compatible with

surrounding properties.

I welcome any follow up questions or concerns and look forward to serving the City of Danville and all of its surrounding communities.

Regards,

Phillip J. Flippen, MA, LPC

CEO and Owner

2025 AERIAL IMAGERY OF SUBJECT PROPERTY

Prepared by:
Planning Division
3/12/2026

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DANVILLE VIRGINIA

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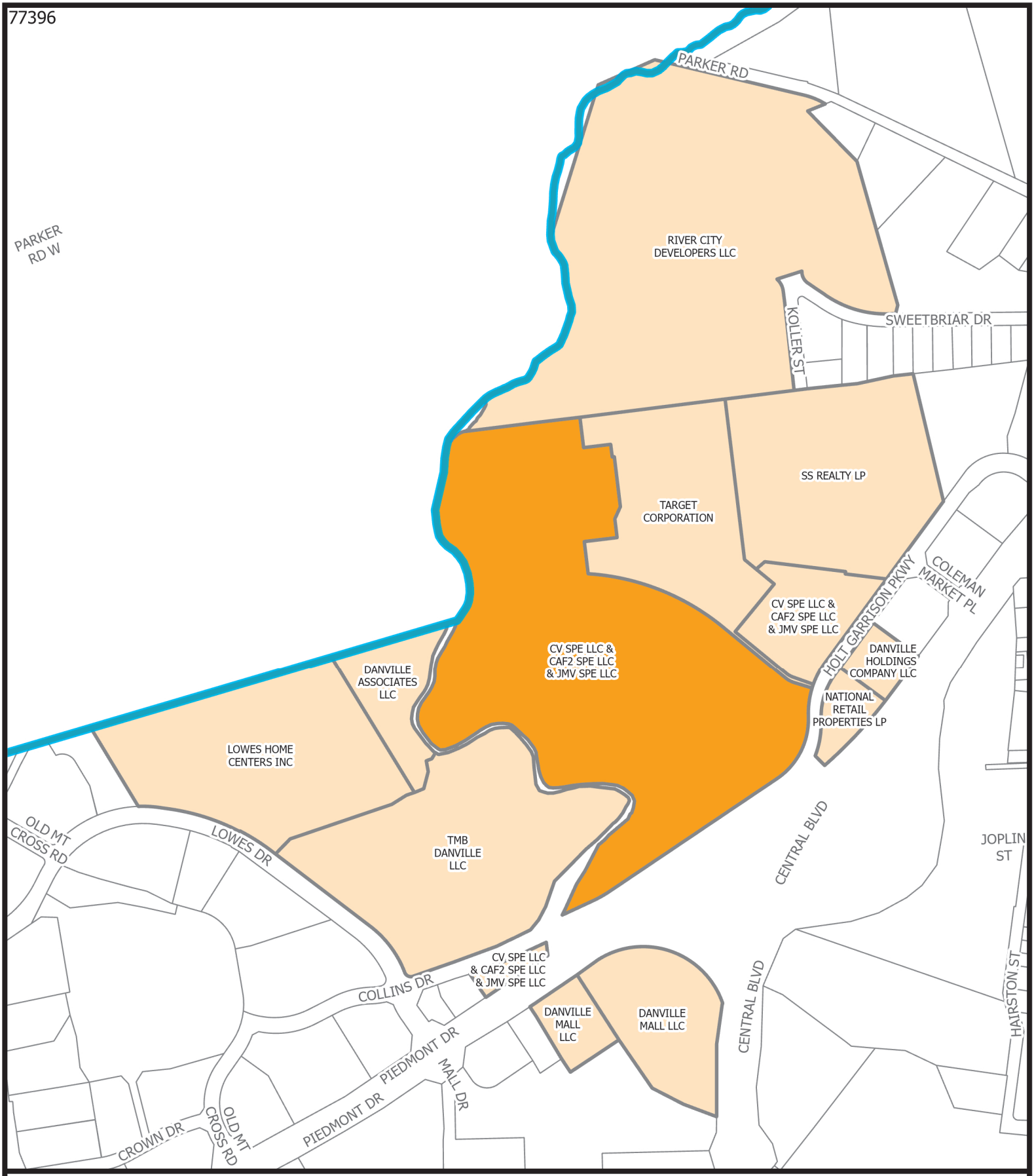

SURROUNDING PROPERTY OWNERS AND ZONING WITHIN 300 FEET OF SUBJECT PROPERTY

Prepared by:
Planning Division
3/12/2026

N

DANVILLE VIRGINIA

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CITY OF DANVILLE
Community Development
Division of Planning and Zoning

MEMORANDUM

DATE: APRIL 13, 2026
TO: CITY COUNCIL
FROM: CITY PLANNING COMMISSION
RE: SPECIAL USE PERMIT REQUEST PZ26-00223

Special Use Permit application PZ26-00223 filed by JLF Innovations, Inc. to allow indoor commercial recreation in accordance with Chapter 41.3.A at Parcel 73158 (145 Holt Garrison Parkway Suite 410).

RECOMMENDATION

The Planning Commission, at their April 13, 2026, meeting voted 6-0 to recommend approval of Special Use Permit request PZ26-00223.

Steve Petrick SP

Mr. Steve Petrick, Chair

Council Letter
City of Danville, Virginia

CL - 2644 **NEW BUSINESS C.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Special Use Permit Application filed by Jonathan Sharolli to Allow Adult Daycare at 405 North Main Street.

From: Renee Burton, Division Director of Planning

COUNCIL ACTION

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Granting Special Use Permit Application PZ26-00244 filed by Jonathan Sharolli to Allow an Adult Daycare in Accordance with Chapter 41.3.A at Parcel ID# 03430 (405 North Main Street).

SUMMARY

Following unanimous recommendation of the Planning Commission, consider allowing the adult day care facility approved by Council at 401 North Main Street to expand to 405 North Main Street.

BACKGROUND

The applicant is requesting approval of a Special Use Permit to allow the establishment of an adult day care facility at 405 North Main Street. The request is intended to supplement and function as part of the adult day care facility approved by City Council on March 3, 2026 (PZ26-00152) at 401 North Main Street.

Based on the Virginia Uniform Statewide Building Code (USBC), adult day care facilities are allowed one (1) occupant per thirty-five (35) square feet. The proposed 2,100 square foot facility at 405 North Main Street would allow for an increase in capacity of approximately 60 occupants. Off-street parking will be required at a rate of one (1) space per staff member per shift, plus four (4) additional spaces.

The proposed use is an expansion of a previously approved Special Use Permit, utilizes an existing vacant commercial space, and remains consistent with the purpose and intent of the North Main Business District (NMBD), which supports small-scale commercial services and community-oriented uses. Impacts related to traffic and noise are expected to remain minimal, as activities are conducted indoors and operation is limited to daytime hours.

Forty-four (44) notices were mailed to property owners within 300 feet of the subject property. Four (4) responses were received; one (1) opposed and three (3) unopposed.

On April 13, 2026, the City Planning Commission voted 6-0 to approve Special Use Permit application PZ26-00244 filed by Jonathan Sharolli to allow adult daycare in accordance with Chapter 41.3.A at Parcel 03430 (405 North Main Street).

The proposed use is compatible with the Comprehensive Plan, the surrounding commercial context, and the established operational characteristics of the corridor. Specifically, support for this project aligns with the following PLAN Danville goals:

- Ch. 2 - Land Use: To better connect Danville residents to amenities and encourage growth in existing developed areas
- Ch 3 - Transportation: To create a multimodal transportation network that supports freedom of mobility
- Ch. 6 - Economy: To support small businesses and entrepreneurs; and to invest in commercial districts (like the North Main Business District)
- Ch. 7 - Environment: To support low impact development through the use of existing buildings/structures
- Ch. 8 - Culture: To create paths for placemaking in redevelopment hubs, such as the NMBD

RECOMMENDATION

It is recommended that City Council adopt an ordinance approving Special Use Permit application PZ26-00244 filed by Jonathan Sharolli to allow adult daycare in accordance with Chapter 41.3.A at Parcel 03430 (405 North Main Street).

Attachments

1. Ordinance
2. Application
3. 405 N Main St Aerials Map
4. 405 N Main St Owners Zoning Map
5. Planning Commission Recommendation

PRESENTED:_____

ADOPTED: _____

ORDINANCE NO. 2026____.____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA GRANTING SPECIAL USE PERMIT APPLICATION PZ26-00244 FILED BY JONATHAN SHAROLLI TO ALLOW AN ADULT DAYCARE IN ACCORDANCE WITH CHAPTER 41.3.A AT PARCEL ID# 03430 (405 NORTH MAIN STREET).

WHEREAS, in accordance with the Code of the City of Danville, Virginia, 1986, as amended, Jonathan Sharolli, has requested a Special Use Permit to allow an adult daycare at Parcel ID #03430 (405 North Main Street).

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Danville Virginia, that the report of the Planning Commission recommending approval of Special Use Permit application PZ26-00244 filed by Jonathan Sharolli to allow an adult daycare in accordance with Chapter 41.3.A at Parcel ID# 03430 (405 North Main Street). is hereby received; and

BE IT FINALLY ORDAINED that, in consideration of said report and the public hearing this day held by Council, Special Use Permit application PZ26-00244 filed by Jonathan Sharolli to allow an adult daycare in accordance with Chapter 41.3.A at Parcel ID# 03430 (405 North Main Street) of the City of Danville, Zoning District Map, is hereby granted and approved.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____

City Attorney

a. The Comprehensive Plan.
b. The applicable zoning district.
c. The surrounding properties.
d. Current and future neighborhood conditions.
e. Pedestrian and vehicular traffic patterns, on-site and off-site.
f. Adequate public facilities.

4. When requested by the Director of Planning/Zoning Administrator, the Planning Commission, or the City Council, the following information shall be provided by the applicant:
   a. The architectural elevations and floor plans of proposed building(s).
   b. Traffic impact analysis.
   c. Fiscal impact analysis.
   d. Parking and site circulation analysis.
   e. Photographs of property and surrounding area.
   f. Environmental impact statement.

Property Location: 405 N. Main St Danville, VA

Describe Proposed Request: Requesting a special use permit for property to be used as an adult daycare facility

Applicant's Signature

3/11/26
Date

Commonwealth of Virginia
City of Danville
The foregoing instrument was acknowledged before me this 11 **day of** March, **20** 26
by Stefanie E Jackson

Notary Public

Stefanie E Jackson
NOTARY PUBLIC
Commonwealth of Virginia
Reg. # 8102312
My Commission Expires 04/30/28

Registration No.: 8102312 **Expires:** 04/30/2028

2025 AERIAL IMAGERY OF SUBJECT PROPERTY

Prepared by:
Planning Division
3/12/2026

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DANVILLE VIRGINIA

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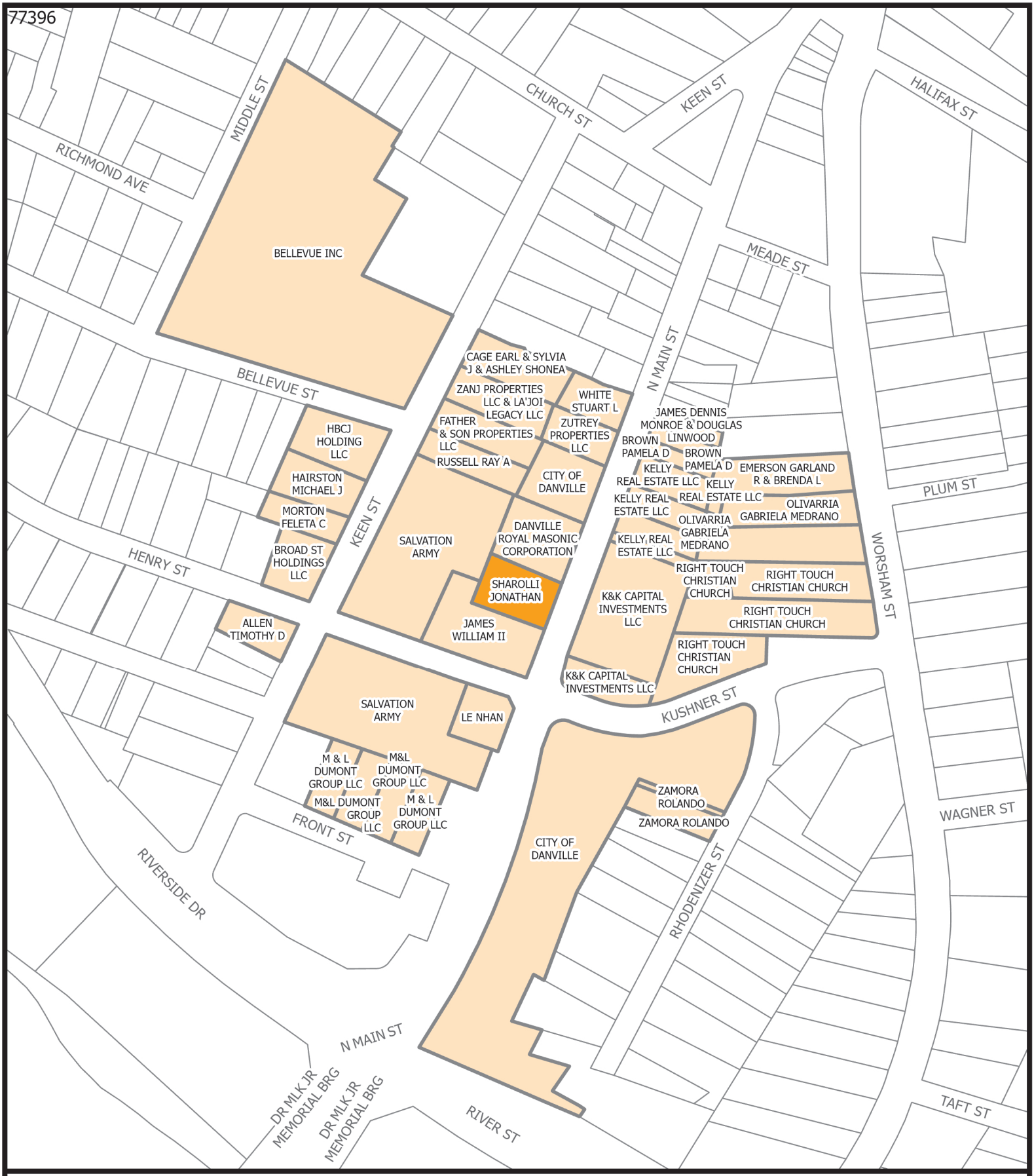

SURROUNDING PROPERTY OWNERS AND ZONING WITHIN 300 FEET OF SUBJECT PROPERTY

Prepared by:
Planning Division
3/12/2026

N

DANVILLE VIRGINIA

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CITY OF DANVILLE
Community Development
Division of Planning and Zoning

MEMORANDUM

DATE: APRIL 13, 2026
TO: CITY COUNCIL
FROM: CITY PLANNING COMMISSION
RE: SPECIAL USE PERMIT REQUEST PZ26-00244

Special Use Permit application PZ26-00244 filed by Jonathan Sharolli to allow adult daycare in accordance with Chapter 41.3.A at Parcel 03430 (405 North Main Street).

RECOMMENDATION

The Planning Commission, at their April 13, 2026, meeting voted 6-0 to recommend approval of Special Use Permit request PZ26-00244.

Steve Petrick

Mr. Steve Petrick, Chair

Council Letter
City of Danville, Virginia

CL - 2661 **NEW BUSINESS D.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Special Use Permit Application at 143 & 153 Crown Drive.

From: Renee Burton, Division Director of Planning

COUNCIL ACTION

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Granting Special Use Permit Application PZ26-00251 filed by BFBDanville LLC to Allow a Waiver of Side Yard Setback Requirements in Accordance with Chapter 41.2.I at Parcel ID# 72436 (143 & 153 Crown Drive).

SUMMARY

Following the unanimous recommendation of the Planning Commission, consider granting BFBDanville LLC a waiver of side yard setbacks to divide a commercial property in two at 143 and 153 Crown Drive. The division will allow a property line to separate the two sides of the building, their uses, and respective addresses while providing flexibility in ownership.

BACKGROUND

The applicant, BFBDanville LLC, has submitted a Special Use Permit application PZ26-00251 requesting approval to allow a waiver of the required side yard setback at 143 and 153 Crown Drive for a proposed subdivision of the existing commercial parcel. The subject property is zoned HB- Highway Business, which requires a minimum of a twenty (20) foot side yard setback. The proposed waiver is intended to allow a zero-foot side yard setback between the two existing buildings along the proposed division and to accommodate the subdivision of the property to allow independent ownership and operation of the existing structures. The applicant states that each building has its own independently constructed wall along the proposed lot line, and that these walls meet applicable fire resistance requirements of the Virginia Construction Code, allowing the structures to function as separate buildings. Documentation of this is required prior to recording a subdivision.

Surrounding properties are developed with commercial uses consistent with the Highway Business Zone, including retail, service, and restaurant uses. The proposed setback waiver applies only to an interior lot line and would not affect the required setbacks along public street frontages or exterior property boundaries.

Vehicle and parking access points will remain unchanged as part of this request. The existing Goodwill building at 153 Crown Drive will use ingress and egress from Collins Drive and the vacant building at 143 Crown Drive will be served by access points from Lowes Drive and Crown Drive. The applicant has indicated that no change in use intensity is proposed. Any future redevelopment, change in use, or site modification that affects parking demand would be subject to review and approval at that time.

The establishment of a new interior lot line will require compliance with the landscaping and buffering requirements. A Landscape Plan in accordance with Chapter 41.4.C will be required prior to recording a subdivision to show that required landscaped areas, buffers, and screening standards are met for each resulting parcel.

Nineteen (19) notices were mailed to property owners within 300 feet of the subject property. Four (4) responses were received; all unopposed.

On April 13, 2026, the City Planning Commission voted 6-0 to approve Special Use Permit application PZ26-00251 filed by BFBDanville LLC to allow a waiver of side yard setback requirements in accordance with Chapter 41.2.I at Parcel 72436 (143 & 153 Crown Drive) with the condition that a Landscape Plan be submitted and approved prior to recording a subdivision plat.

The proposed use is compatible with the Comprehensive Plan, dependent upon appropriate landscaping pursuant to the UDC. Specifically, support for this project aligns with the following PLANDanville goals:

- Ch. 7 - Environment
    - EN.1.2 Tree Canopy Expansion - Expand Danville's tree canopy to offset urban heat island impacts.
    - EN.1.4 Low Impact Development - Prioritize low impact development (LID) across the city.
- Ch. 6 - Economy
    - E.2.1 Strengthen the Redevelopment Process - Enhance the efficiency and effectiveness of the redevelopment process for industrial and commercial business hubs within the city to attract new businesses, stimulate economic growth, create job opportunities, and enhance the overall vibrancy.

RECOMMENDATION

It is recommended that City Council adopt an ordinance approving Special Use Permit application PZ26-00251 to allow a waiver or side yard setback requirements in accordance with Chapter 41.2.I at Parcel 72436(143 & 153 Crown Drive) with the condition that a Landscape Plan be submitted and approved prior to recording a subdivision plat.

Attachments

1. Ordinance
2. Application
3. 143 Crown Dr Aerial Map
4. 143 Crown Dr Owners Zoning Map
5. Planning Commission Recommendation

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026____.____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA GRANTING SPECIAL USE PERMIT APPLICATION PZ26-00251 FILED BY BFBDANVILLE LLC TO ALLOW A WAIVER OF SIDE YARD SETBACK REQUIREMENTS IN ACCORDANCE WITH CHAPTER 41.2.I AT PARCEL ID# 72436 (143 & 153 CROWN DRIVE).

WHEREAS, in accordance with the Code of the City of Danville, Virginia, 1986, as amended, BFBDanville LLC, has requested a Special Use Permit for a waiver of side yard setback requirements at Parcel ID #72436 (143 & 153 Crown Drive).

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Danville Virginia, that the report of the Planning Commission recommending approval of Special Use Permit application PZ26-00251 filed by BFBDanville LLC to allow a waiver of side yard setback requirements at Parcel 72436 (143 & 153 Crown Drive), is hereby received with the following condition:

1. A landscape plan be submitted and approved prior to recording a subdivision plat.

AND BE IT FINALLY ORDAINED that, in consideration of said report and the public hearing this day held by Council, Special Use Permit application PZ26-00251 filed by BFBDanville LLC to allow a waiver of side yard setback requirements at Parcel 72436 (143 & 153 Crown Drive), of the City of Danville, Zoning District Map, is hereby granted and approved, with the following condition:

1. A landscape plan be submitted and approved prior to recording a subdivision plat.

Approved:

_____

Mayor

Attest:

_____

Clerk

Approved as to
Form and Legal Sufficiency:

_____

City Attorney

a. The Comprehensive Plan.
b. The applicable zoning district.
c. The surrounding properties.
d. Current and future neighborhood conditions.
e. Pedestrian and vehicular traffic patterns, on-site and off-site.
f. Adequate public facilities.

4. When requested by the Director of Planning/Zoning Administrator, the Planning Commission, or the City Council, the following information shall be provided by the applicant:
   a. The architectural elevations and floor plans of proposed building(s).
   b. Traffic impact analysis.
   c. Fiscal impact analysis.
   d. Parking and site circulation analysis.
   e. Photographs of property and surrounding area.
   f. Environmental impact statement.

Property Location: 143 & 153 Crown Drive, Danville VA

Describe Proposed Request: See attached narrative

Applicant's Signature

3/16/2026
Date

Commonwealth of Virginia
City of ~~Danville~~ Charlottesville
The foregoing instrument was acknowledged before me this 16 day of March, 2026
by Benjamin Blackburn

Notary Public

Registration No.: 266048 Expires: August 31, 2026

GARY WALLACE HUGHES NOTARY PUBLIC REG # 266048 COMMISSION EXPIRES 8/31/2026 COMMONWEALTH OF VIRGINIA

Westwood

1208 Corporate Circle
Roanoke, VA 24018

main (540) 772-9580
fax (540) 772-8050

March 10, 2026

City of Danville, VA - Community Development
Division of Planning and Zoning
c/o Renee Burton – Division Director of Planning
427 Patton Street
Danville, VA 24541
434.799.5260 Ext. 2502
BurtonR@Danvilleva.gov

RE: Special Use Permit - Narrative
143 & 153 Crown Drive Danville, VA
City of Danville PID: 72436
B&A Job # 04240075.01

BFBDanville LLC, et al, (Owner and Applicant) is requesting a special use permit specific to the proposed development of 143 and 153 Crown Drive to support redevelopment efforts on the subject parcel. Westwood Professional Services, Inc. is acting as the agent on behalf of the Owner.

The property is currently zoned Highway Business (HB) and the special use request is for an exemption to the 20' minimum side setback required by current zoning regulations. The requested side setback will be 0' to accommodate the proposed internal subdivision of the property as shown on the attached exhibit.

Subdividing the parent property into 2 parcels will create flexibility in ownership for the two buildings and separation of operations. One space operates in a retail function, while the other functions as a storage facility. Additionally, the individual ownership of each parcel will likely increase the taxed assessed values versus taxing as a whole.

Each new lot will meet minimum public road frontage required per current zoning regulations. Parking and access will be managed under private cross access agreements to be put in place at such time as either property is sold independently.

Westwood Professional Services, Inc has reviewed existing conditions of the existing walls of the building along the location where this new lot line will be. It has been determined there are two existing walls directly adjacent to each other (a 6" thick solid concrete wall on one side and a minimum 8" thick concrete masonry unit wall on the other side) that are each load-bearing for the roof on each side of the wall, and the roof structure on each side of the new line will not affect the wall or roof structure in the opposite side of the new lot line. As such, each structure on each side of the new property line can be considered a separate building. Each existing wall appears to meet the requirements of a prescriptive 2-hour wall per the 2021 Virginia Construction Code Section 721, with no openings in either wall. As such, these two walls appear to be sufficient to meet the requirements of a 2-hour exterior wall directly adjacent to a property line as required per VCC Table 705.5.

The existing zoning district will remain commercial which is supported by the Comprehensive Plan. The adjacent properties are various commercial entities including big box stores, multi-tenant retail, restaurants, and restaurants with drive-thru. No changes to access locations or existing development patterns are anticipated with the exception of minor updates that may be required by future tenants of the building or landscape modifications within the parking area. Existing utilities currently serve the building and will remain in place to serve future users.

The project location and use is appropriate with the existing surrounding land uses and zoning designations. We appreciate your consideration of this Special Use Permit application and look forward to the new investment by the applicant to provide new opportunities within the City of Danville.

Westwood

1208 Corporate Circle
Roanoke, VA 24018

main (540) 772-9580
fax (540) 772-8050

Sincerely,
Westwood Professional Services, Inc.

Ben Crew, L.A - Agent for BFBDanville LLC, etal.
Director, Land Development
Attachments: Proposed Division Concept Plan

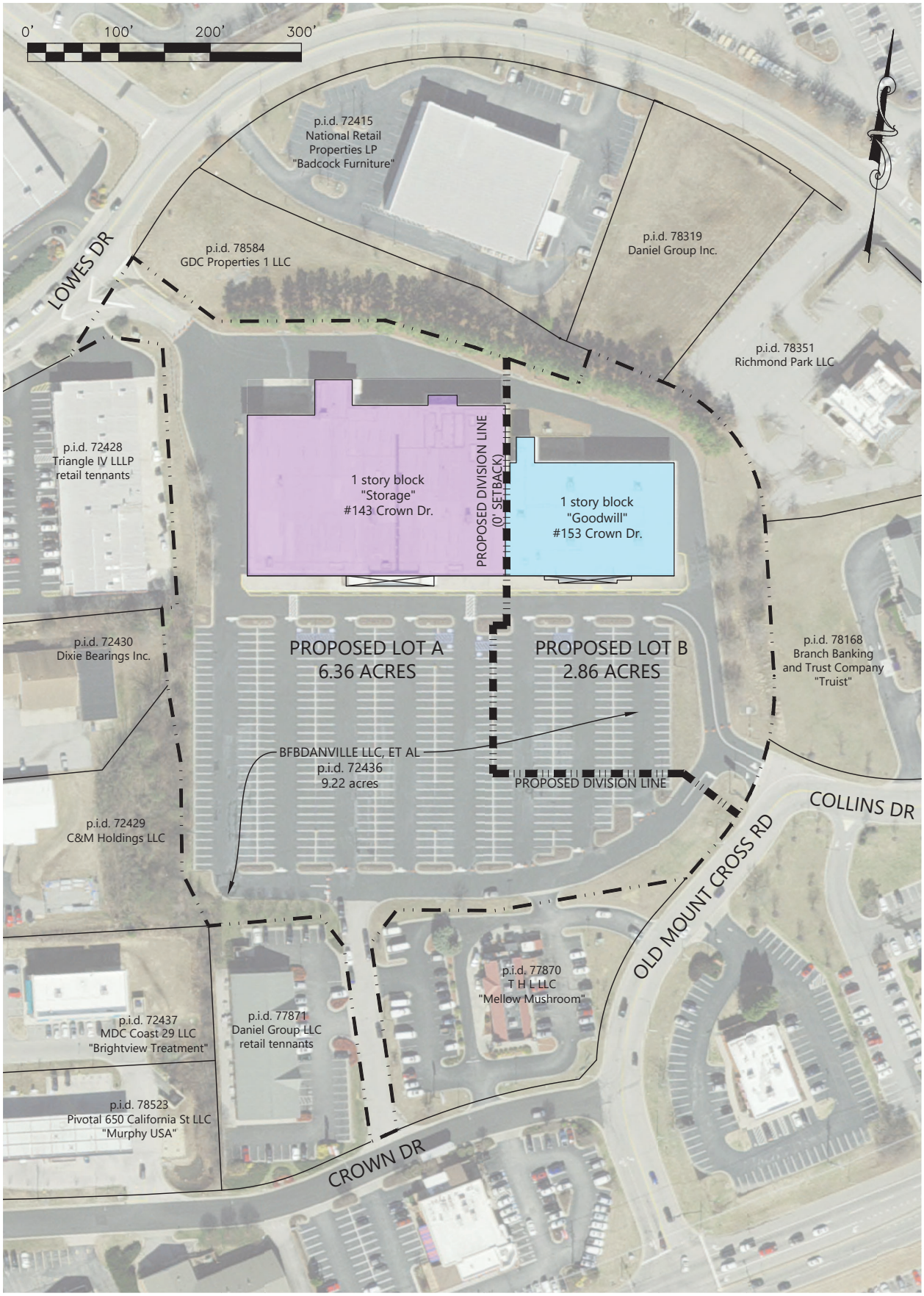

EXHIBIT A

SHOWING THE PROPOSED SUBDIVISION OF DANVILLE P.I.D. 72436

DRAWN BY: MSS
CHECKED BY: BTC

PROJECT #04240075.01 – SUP
DATED 03–10–2026

Westwood
Westwood Professional Services, Inc.
1208 CORPORATE CIRCLE
ROANOKE, VA 24018
T: 540.772.9580
westwoodps.com

2025 AERIAL IMAGERY OF SUBJECT PROPERTY

Prepared by:
Planning Division
3/19/2026

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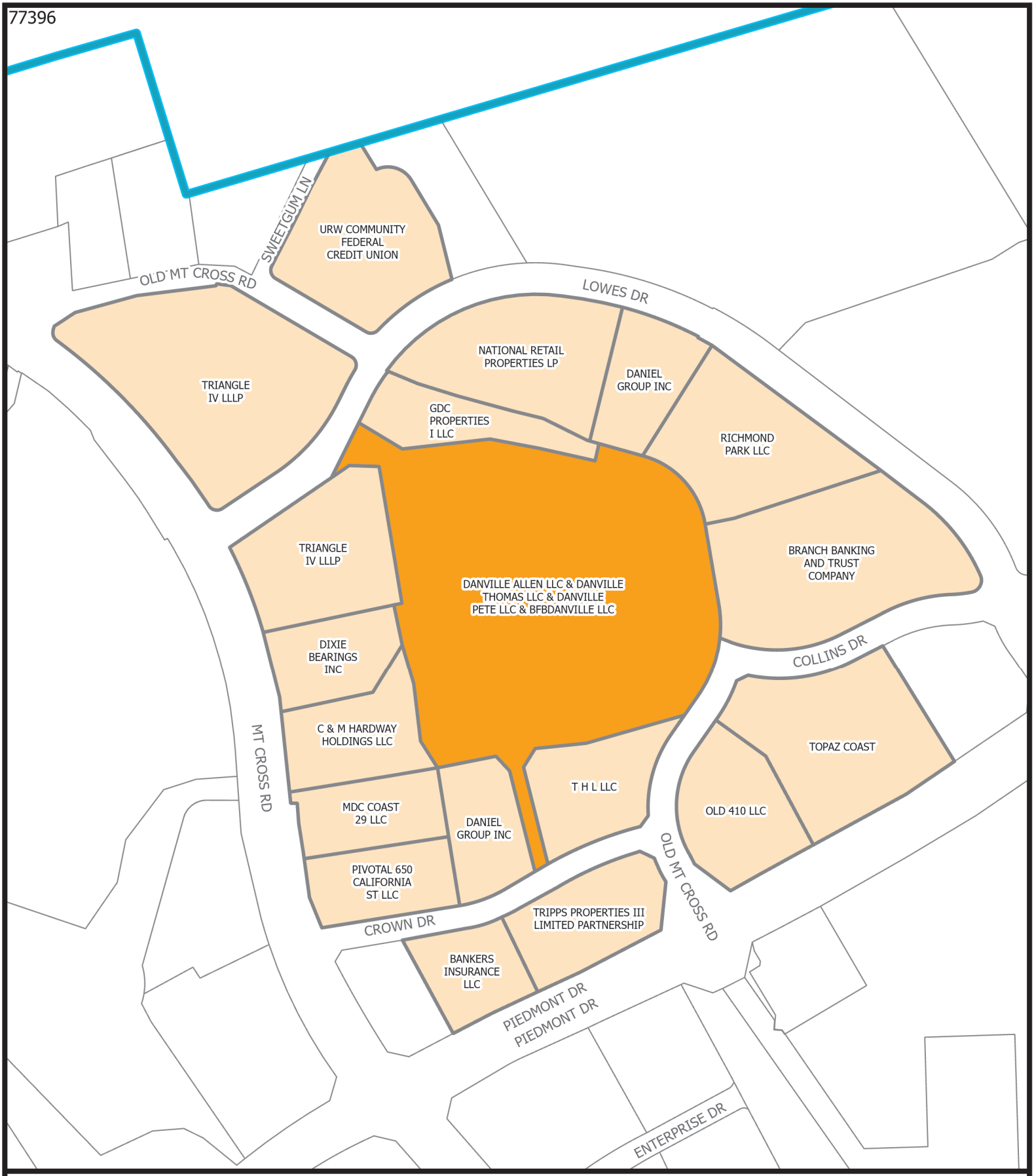
DANVILLE VIRGINIA

Disclaimer: Information contained on this map is to be used for reference purposes only. The City of Danville is not responsible for any inaccuracies herein contained. The City of Danville makes no representation of warranty as to this map's accuracy, and in particular, its accuracy in labeling, dimensions, contours, property boundaries, or placement or location of any map features thereon. No responsibility is assumed for damages or other liabilities due to the accuracy, availability, use or misuse of the information herein provided.



SURROUNDING PROPERTY OWNERS AND ZONING WITHIN 300 FEET OF SUBJECT PROPERTY

Prepared by:
Planning Division
3/19/2026

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DANVILLE VIRGINIA

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CITY OF DANVILLE
Community Development
Division of Planning and Zoning

MEMORANDUM

DATE: APRIL 13, 2026
TO: CITY COUNCIL
FROM: CITY PLANNING COMMISSION
RE: SPECIAL USE PERMIT REQUEST PZ26-00251

Special Use Permit application PZ26-00251 filed by BFBDanville LLC to allow a waiver of side yard setback requirements in accordance with Chapter 41.2.I at Parcel 72436 (143 & 153 Crown Drive).

RECOMMENDATION

The Planning Commission, at their April 13, 2026, meeting voted 6-0 to recommend approval of Special Use Permit request PZ26-00251 with the following condition:

1. A Landscape Plan be submitted and approved prior to recording a subdivision plat.

Steve Petrick SP

Mr. Steve Petrick, Chair

Council Letter
City of Danville, Virginia

CL - 2660 **NEW BUSINESS E.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Moral Obligation and Support Agreement for the Mount Cross Road Battery Energy Storage System.

From: Jason Grey, Director of Utilities

COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into a Moral Obligation Support Agreement Securing a Borrowing by the City of Danville, Virginia for the Mount Cross Road Battery Energy Storage System.

SUMMARY

The City was awarded a $750,000 grant and a $750,000 loan from the Virginia Tobacco Region and Revitalization Commission in September 2024 to lower the monthly capacity payment for the Mount Cross Road Battery Energy Storage System. The loan is being financed through the Virginia Small Business Financing Authority (VSBFA) over ten years at a 5.5% interest rate. Due to the need for private financing for the remainder of the project by the developer, Lightshift Energy, a moral obligation and support agreement is needed as collateral for the $750,000 VSBFA loan.

BACKGROUND

The City entered into a capacity agreement with Lightshift Energy in 2024 for the 11 megawatt battery energy storage system located at 900 Mount Cross Road. The system is designed to lower the City's transmission and capacity demand costs during the winter and summer months by discharging energy during peak hours. This is the second project with Lightshift Energy, targeted to be completed in May 2026. The annual estimated cost saving is approximately $2,500,000/year. The cost savings will be used to offset other power supply costs.

RECOMMENDATION

Staff recommends that City Council approve the City Manager entering into a moral obligation and support an agreement with the Virginia Small Business Financing Authority for a borrowing for the Mount Cross Road Battery Energy Storage System.

Attachments

1. Resolution
2. Moral Obligation Agreement

PRESENTED: _____

ADOPTED: _____

RESOLUTION NO. 2026-____.____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING THE CITY MANAGER TO ENTER INTO A MORAL OBLIGATION SUPPORT AGREEMENT SECURING A BORROWING BY THE CITY OF DANVILLE, VIRGINIA FOR THE MOUNT CROSS ROAD BATTERY ENERGY STORAGE SYSTEM.

WHEREAS, in November 2025, the City of Danville, Virginia borrowed Seven Hundred Fifty Thousand and 00/a00 dollars ($750,000.00) (loan) from the Virginia Small Business Financing Authority (VSBFA) as agent and servicer of the award from the Virginia Tobacco Region and Revitalization Commission for the Mount Cross Battery Energy Storage System project located at 900 Mount Cross Road in Danville, Virginia; and

WHEREAS, by Resolution 2025-04-03, approved on April 15, 2025, City Council authorized and approved the execution of securing the borrowing by the City of Danville, Virginia; and

WHEREAS, the loan with VSBFA was structured for payback over 10 years at 5.5% interest rate; and

WHEREAS, as part of the Loan, VSBFA recorded a lien on Mount Cross Battery Energy Storage System and, to release the lien, VSBFA has requested the City enter into a moral obligation and support agreement.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Danville, Virginia:

1. Authorization of the Moral Obligation Agreement. The City Council of the City of Danville, Virginia (the “Council”) hereby determines that it is

advisable to extend, the Moral Obligation Agreement for the purpose of securing the debt service payments due to the City under the Loan.

2. Effective Date. The Resolution shall take effect immediately upon its adoption.

AND BE IT FINALLY RESOLVED, by the Council of the City of Danville, Virginia, that the City Manager, Kenneth F. Larking, be, and is hereby, authorized and directed to execute the Agreements and any other documents necessary to be executed or signed to complete this transaction.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

SUPPORT AGREEMENT OF
THE CITY OF DANVILLE, VIRGINIA

THIS SUPPORT AGREEMENT, dated as of the ____ day of _____, 2026, by and between the City Council of the **City of Danville, Virginia**, a political subdivision of the Commonwealth of Virginia **(the "City")** and the **Virginia Small Business Financing Authority ("VSBFA")**, a public body corporate and a political subdivision of the Commonwealth of Virginia, whose address is P. O. Box 446, Richmond, Virginia 23218-0446, as agent and servicer for **Virginia Tobacco Region Revitalization Commission**, a public body corporate and a political subdivision of the Commonwealth of Virginia **("TRCC")**, recites and provides as follows.

RECITALS

1. In connection with Resolution 2025-04-03, the City entered into that loan arrangement with VSBFA (as agent and servicer for TRCC), in which VSBFA provided a loan to the City in the principal amount of $750,000.00 **(the "Loan")**, as evidenced by that certain promissory note dated November 5, 2025 executed by the City and held by VSBFA **(the, "Note")**, in order for the City to finance the installation costs of a battery energy storage system located at 900 Mount Cross Road, Danville, Virginia 24540 **(the "Battery System")**.

2. As part of the Loan, VSBFA recorded a UCC lien on the Battery System **(the** "**VSBFA Lien**").

3. LightShift, the owner of the equipment and property, has requested that VSBFA release the VSBFA Lien in order for LightShift to perfect their primary lien.

4. In order to induce VSBFA to release the VSBFA Lien, VSBFA has requested the City to enter into this Support Agreement **(this "Agreement")**.

AGREEMENT

NOW, THEREFORE, for and in consideration of the premises, the promises and mutual benefits to be derived by the parties from entering into this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows.

1. The City has acquired an ownership interest in the Battery System, and is required to make monthly consecutive payments to VSBFA as set forth in the Note. In the event the City is unable to fulfill its debt service obligations to VSBFA under the Note and the Loan Agreement, the City Manager of the City **(the "City Manager")** shall request an appropriation from the City Council of the City **(the "City Council")** sufficient to allow the City to make current payments on the Note **(the "Deficiency Amount")** to protect and maintain the City's interest in the Battery System.

2. No later than May 15 of each year, beginning May 15, 2026, the City shall notify

the City Manager of the Deficiency Amount, if any, which the City desires the City Council to appropriate funds in accordance with Section 1 above during the City's fiscal year beginning the following July 1.

3. The City Manager shall include such Deficiency Amount requested pursuant to Section 2 above in his budget submitted to the City Council for the following fiscal year as an amount to be appropriated to for the Deficiency Amount. The City Manager shall deliver to VSBFA within ten days after the adoption of the City's budget for each fiscal year, but not later than July 15 of each year, a certificate stating whether the City Council has appropriated the Deficiency Amount requested.

4. The City Manager shall present each request for appropriation pursuant to paragraph 3 above to the City Council, and the City Council shall consider such request, at the City Council next regularly scheduled meeting at which it is possible to satisfy any applicable notification requirement. Not later than three (3) business days after such meeting, the City Manager shall notify VSBFA as to whether the amount so requested was appropriated. If the City Council shall fail to make any such appropriation, the City Manager shall add the amount of such requested appropriation to the amount requested and reported to the City by the City Manager for the City's next fiscal year.

5. The City Council hereby undertakes a non-binding moral obligation to appropriate such amounts as may be requested from time to time pursuant to paragraphs 3 and 4 above, to the fullest degree and in such manner as is consistent with the Constitution and laws of the Commonwealth of Virginia. The City Council, while recognizing that it is not empowered to make any binding commitment to make such appropriations in future fiscal years, hereby states its intent to make such appropriations in future fiscal years, and hereby recommends that future City Councils do likewise.

6. For and in consideration of VSBFA making the Loan to the City, and to further secure the repayment of the Note and the Loan, the City hereby assigns, grants and conveys to VSBFA all of its right, title and interest, now existing or hereafter arising, in and to all moneys received from the City pursuant to the provisions of this Agreement. The City shall make, execute and deliver any papers, instruments and documents that may be required by VSBFA to effectuate the purpose intended by this assignment.

7. If any clause, provision, or paragraph of this Agreement shall be held illegal or invalid by a court, the illegality or invalidity of such clause, provision, or paragraph shall not affect any of the remaining clauses, provisions, or paragraphs hereof, and this Agreement shall be construed and enforced as if such illegal or invalid clause, provision, or paragraph had not been contained herein. In case any question should arise as to whether any provision contained herein shall be in violation of law, then such provision shall be construed to the agreement of the parties hereto to the fullest extent permitted by law.

8. The City shall provide VSBFA with the City's audited annual financial statements when available.

9. Nothing herein contained is or shall be deemed to be a lending of the credit of the City to VSBFA or to any other person or entity, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of the City, nor shall anything herein contained legally bind or obligate the City Council to appropriate funds for the purposes described herein.

10. Any notices or requests required to be given hereunder shall be deemed given if sent by registered or certified mail, postage prepaid, addressed (i) if to the City, to City Manager's Office, PO Box 3300, Danville, Virginia 24543, and with a copy to City Attorney's Office, PO Box 3300, Danville, Virginia 24543, Attention: W. Clarke Whitfield, Jr. Esq. Any party may designate any other address for notices or requests by giving notice.

11. It is the intent of the parties hereto that this Agreement shall be governed by the laws of the Commonwealth of Virginia, and if legal action by either party is necessary for or with respect to the enforcement of any or all of the terms and conditions hereof, then exclusive venue therefore shall lie in the City of Danville, Virginia. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument.

[Signature page to follow]

IN WITNESS WHEREOF, the City has caused this Support Agreement to be executed as of the date first above written.

CITY OF DANVILLE, VIRGINIA

By: _____
Alonzo L. Jones
Chairman, City Council

Attest:

_____
Susan M. DeMasi, City Clerk
Danville City Council

The undersigned authorized representative of VSBFA has executed this Agreement on its behalf as of the date first written above for the sole purpose of accepting the assignment to it made therein.

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

By: _____
Name: Linda Kay Tackett
Title: Regional Lending Manager

Council Letter
City of Danville, Virginia

CL - 2678 **NEW BUSINESS F.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Authorizing the City Manager to enter into a Power Supply Pool Agreement with American Municipal Power.

From: Jason Grey, Director of Utilities

COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into an Agreement with American Municipal Power for the 2026 Danville Power Pool Participant Schedule.

SUMMARY

The City of Danville sells over 1,000,000,000 kilowatt-hours of electricity to our customers annually. The proposed American Municipal Power Pool Agreement would formalize the process of making short-term purchases of less than 24 months on occasions when demand for electricity is higher or replacement energy is needed due to a generator coming off-line. The Pool Agreement would also allow for congestion management and financial transmission rights to be purchased during their respective auction periods.

BACKGROUND

The City has been a member of American Municipal Power (AMP) since 2007. We are participants of a coal facility in Illinois, a natural gas generating facility in Ohio, and five run-of-the-river hydro generating facilities on the Ohio River. AMP manages the City's power supply portfolio, including transmission/congestion management and energy purchases. AMP also schedules our generating facilities into the PJM markets and works with PJM on efficiently operating them on behalf of the project participants.

RECOMMENDATION

Staff recommends that City Council approve a Resolution Authorizing the City Manager to enter into a Pool Agreement with American Municipal Power to allow for short-term power supply purchases and PJM charges.

Attachments

1. Resolution
2. 2025 PJM Pool of One Agreement
3. 2026 Pool Schedule Danville-3.23.26

PRESENTED: _____

ADOPTED: _____

RESOLUTION NO. 2026-____.____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH AMERICAN MUNICIPAL POWER FOR THE 2026 DANVILLE POWER POOL PARTICIPANT SCHEDULE.

WHEREAS, the City of Danville, Virginia (the "Municipality"), is a political subdivision organized and existing pursuant to the laws of the Commonwealth of Virginia that owns and operates an electric utility system for the sale of electric capacity and associated energy for the benefit of its citizens and customers; and

WHEREAS, Municipality is located in the PJM Interconnection, L.L.C. (“PJM”) transmission system territory and is subject to the PJM transmission system regulations and costs as set forth in the PJM governing documents; and

WHEREAS, in order to satisfy the electric capacity, energy and other requirements of its electric utility system, the Municipality has heretofore purchased economical and reliable capacity, energy and related services from American Municipal Power, Inc. (“AMP”), an Ohio non-profit corporation, of which the Municipality is a member, or has heretofore purchased capacity and energy arranged by AMP; and

WHEREAS, Municipality and AMP desire to enter into a Power Pool Schedule (“Schedule”) for the purpose of: (i) energy, capacity and related product scheduling and operations under the PJM governing documents and (ii) economic

purchases of capacity, energy and related products for the beneficial use of Municipality.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Danville, Virginia:

SECTION 1. That the form of 2026 Danville Power Pool Participant Schedule attached hereto as “Exhibit 1” including Appendices thereto between this Municipality and AMP, be, and the same hereby is approved substantially in the form attached hereto, subject to and with any and all changes provided herein and therein;

SECTION 2. That the Director of Utilities is hereby authorized and directed to execute and deliver on behalf of this Municipality the 2026 Danville Power Pool Participant Schedule, substantially in the form attached hereto as “Exhibit 1;”

SECTION 3. That the Municipality authorizes AMP to purchase on the Municipality's behalf, in accordance with the procedures set forth in the 2026 Danville Power Pool Participant Schedule, and Municipality agrees to reimburse AMP for all costs incurred by AMP for Pool Resources and services plus any service fees associated with the purchase of Pool Resources and services set forth therein;

SECTION 4. That the Director of Utilities is hereby designated as Municipality's authorized personnel to approve and authorize AMP’s acquisition of Pool Resources in accordance with the terms and conditions in the 2026 Danville Power Pool Participant Schedule on behalf of Municipality;

SECTION 5. That it is found and determined that all formal actions of this Council concerning and relating to the adoption of this resolution were adopted in an open meeting of the Council, and that all deliberations of this Council and of any of its committees that resulted in such formal action were in meetings open to the public and in compliance with all legal requirements;

SECTION 6. If any section, subsection, paragraph, clause or provision of any part thereof of this Resolution shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this resolution shall be unaffected by such adjudication and all the remaining provisions of the resolution shall remain in full force and effect as though such section, subsection, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not, to the extent of such invalidity, been included herein; and

BE IT FINALLY RESOLVED, by the Council of the City of Danville, Virginia, that the City Manager, Kenneth F. Larking, be, and is hereby, authorized and directed to execute the Agreement and any other documents necessary to be executed or signed to complete this transaction.

Approved:

_____

Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

2026 Pool of One Agreement

Winter 2026

AMP™
PUBLIC POWER PARTNERS

Background

- Markets have evolved and any schedules in place to allow for the normal operation of your PJM power accounts are out of date or do not address current market conditions (last Schedule was more than a decade ago)
  - Agreement is used for Billing / Approval of short-term purchases and congestion hedges (FTRs)
- All members are in “AMP Power Pools”
  - Pools establish the rules for interacting with the PJM market and billing of PJM charges
- Pools of One – Members that schedule and transact with the market individually
    - All market interactions are for just one member
  - **Your municipality is in a Pool of one**
- AMP has recently developed a Pool Agreement that will be used for each Pool and provide standard contractual and billing language for all members

Pool Agreements

- Purpose of Pool Agreements:
  - Establish rules for billing of Pool Energy Resources (short-term power) and PJM charges
  - Provides authority for AMP (with Member approval) to purchase short term energy (up to one year in term) and FTRs (congestion hegdes)
  - Provides details of how to split PJM charges (approx. 60 charges). Also helpful in the event that market-based rates are offered to future customers or generators connected to Municipal Electric System
- No agreement/schedule is in place that address:
  - The process that AMP should use to bill and operate to meet Members' power supply needs
  - AMP's authority to purchase short term energy for member without council approval for each purchase
    - Needed for replacement of generation outages or weather-related load increases

Pool Agreements

The recommended Ordinance and Schedule do not change any current process – memorialize existing operations

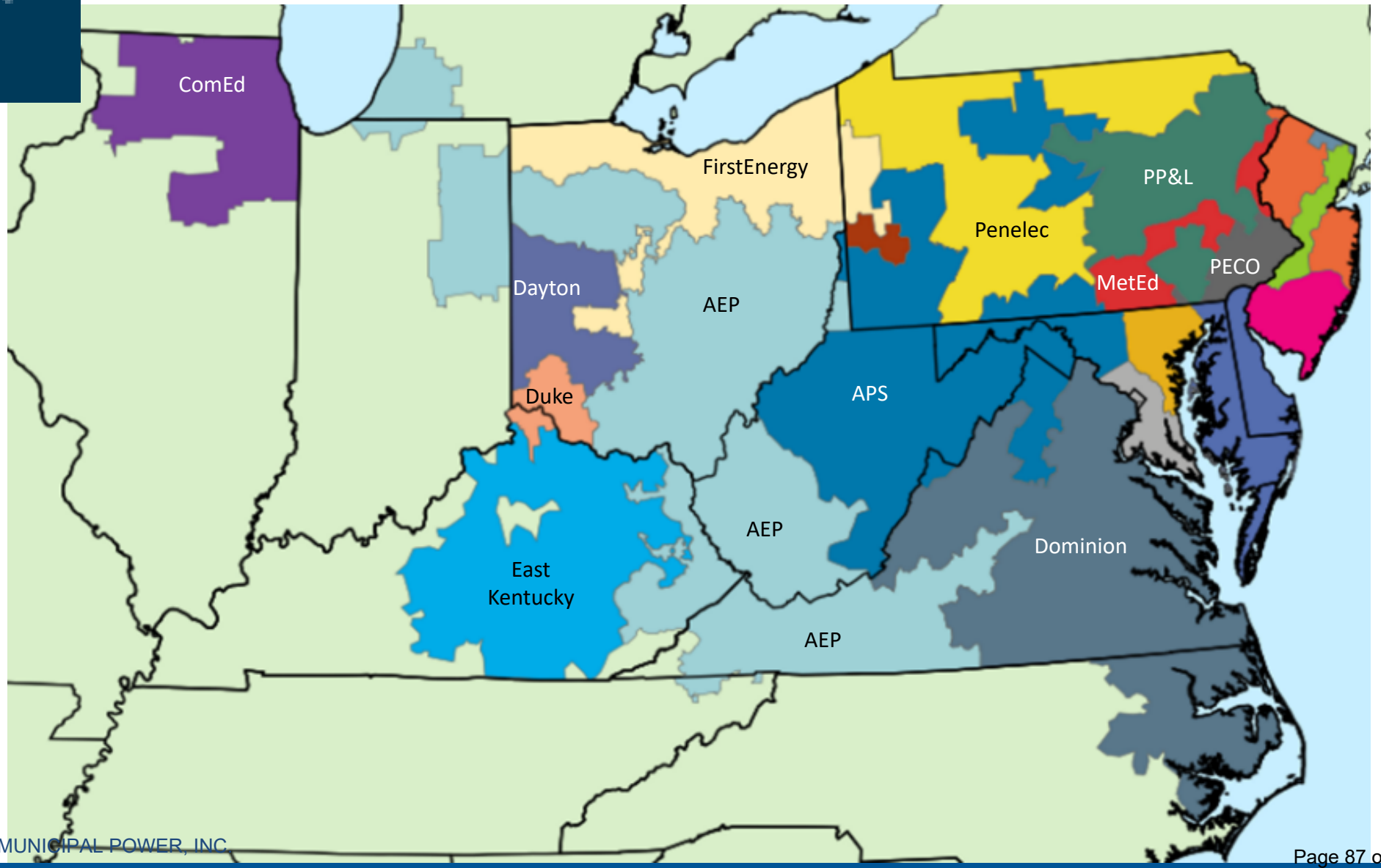
- No obligation to purchase any products
- Establishes formal purchasing procedures
  - Short-term power / FTRs

Assignment of PJM Charges Listed in Exhibit B of Pool Agreement

Row Labels	BILLING_LINE_ITEM_NAME
1100	Network Integration Transmission Service
1108	Transmission Enhancement
1120	Other Supporting Facilities
1130	Firm Point-to-Point Transmission Service
1140	Non-Firm Point-to-Point Transmission Service
1200	Day-ahead Spot Market Energy
1205	Balancing Spot Market Energy
1210	Day-ahead Transmission Congestion
1215	Balancing Transmission Congestion
1220	Day-ahead Transmission Losses
1225	Balancing Transmission Losses
1230	Inadvertent Interchange
1242	Day-Ahead Load Response Charge Allocation
1243	Real-Time Load Response Charge Allocation
1250	Meter Error Correction
1301	PJM Scheduling, System Control and Dispatch Service - Control Area Adminis
1302	PJM Scheduling, System Control and Dispatch Service - FTR Administration
1303	PJM Scheduling, System Control and Dispatch Service - Market Support
1305	PJM Scheduling, System Control and Dispatch Service - Capacity Resource/C
1313	PJM Settlement, Inc.
1314	Market Monitoring Unit (MMU) Funding
1315	FERC Annual Recovery
1316	Organization of PJM States, Inc. (OPSI) Funding
1317	North American Electric Reliability Corporation (NERC)
1318	Reliability First Corporation (RFC)
1320	Transmission Owner Scheduling, System Control and Dispatch Service
1330	Reactive Supply and Voltage Control from Generation and Other Sources Ser
1340	Regulation and Frequency Response Service
1360	Synchronized Reserve
1370	Day-ahead Operating Reserve
1375	Balancing Operating Reserve
1380	Black Start Service
1500	Financial Transmission Rights Auction
1610	Locational Reliability
2100	Network Integration Transmission Service
2130	Firm Point-to-Point Transmission Service
2140	Non-Firm Point-to-Point Transmission Service
2220	Transmission Losses
2320	Transmission Owner Scheduling, System Control and Dispatch Service
2330	Reactive Supply and Voltage Control from Generation and Other Sources Ser
2340	Regulation and Frequency Response Service
2360	Balancing Synchronized Reserve
2370	Day-ahead Operating Reserve
2375	Balancing Operating Reserve
2380	Black Start Service
2510	Auction Revenue Rights
2661	Capacity Resource Deficiency
1362	Non-Synchronized Reserve
2211	Day-ahead Transmission Congestion
2215	Balancing Transmission Congestion
2650	Auction Specific MW Transaction
1319	Consumer Advocates of PJM States, Inc. (CAPS)
1115	Transmission Enhancement Settlement (EL05-121-009)
1361	Secondary Reserve
2361	Balancing Secondary Reserve
2366	Day-ahead Synchronized Reserve
2367	Day-ahead Secondary Reserve
2368	Day-ahead Non-Synchronized Reserve
1245	Pre-Emergency and Emergency Load Response

Short Term Energy Purchases

- Allows for the purchase of Short-Term Power
  - Up to one year in length
  - Purchased up to 24 months in advance
- The purchase of monthly power is for:
  - Additional summer and winter needs
  - Outage from existing resources (AFEC / Prairie State / Hydros)
    - Both planned and unplanned
- AMP would still work with the Member on each purchase
  - The plan is developed every fall for the following years, based on monthly needs
  - Email approval from member for larger / planned monthly purchases if desired


ComEd
FirstEnergy
PP&L
Penelec
PECO
MetEd
Dayton
AEP
Duke
APS
AEP
Dominion
East
Kentucky
AEP

CITY OF DANVILLE, VIRGINIA
2026 DANVILLE POWER POOL PARTICIPANT SCHEDULE TO
AMERICAN MUNICIPAL POWER, INC.
AND
CITY OF DANVILLE, VIRGINIA

MASTER SERVICES AGREEMENT
(AMP CONTRACT NO. C-2-2006-4975)

WHEREAS, the City of Danville, Virginia ("Municipality") and American Municipal Power, Inc. ("AMP") collectively ("Parties") have entered into a Master Service Agreement ("Agreement") under which certain services may be provided under schedules thereto; and

WHEREAS, Municipality and AMP desire to enter into this Danville Power Pool Participant Schedule ("Schedule") for the purpose of: (i) energy, capacity and related product scheduling and operations under the PJM Governing Documents and (ii) economic purchases of capacity, energy and related products for the beneficial use of Municipality.

NOW, THEREFORE, in consideration of the following mutual promises, AMP and Municipality agree as follows.

SECTION 1. DEFINITIONS

As used in this Agreement, the terms that are defined in the PJM Governing Documents shall have the definitions provided therein, and the following defined terms shall have the respective meanings set forth below:

(a) 1CP - The hour of Transmission Owner's single highest load during the previous Calendar Year, or coincident peak.

(b) 5CPs - The hour of each of PJM's five highest coincident peak loads during the previous Delivery Year used by PJM to determine load's Installed Capacity Demand.

(c) Applicable Law – All federal, state and local law and regulations including but not limited to the Federal Power Act, the Regional Transmission Organization's Governing Documents, the terms and conditions of any interconnection and operating agreements entered into with the interconnecting Transmission Owner whether directly by the Pool Participant or by AMP on behalf of the Pool Participant, and the interconnecting Transmission Owner's requirements.

(d) Auction Revenue Rights or ARRs – The right to receive the revenue from the Financial Transmission Right auction, as further described in PJM Governing Documents.

(e) Behind the Meter Generation ("BTMG") – A generation unit that delivers energy to load without using the transmission system or any Municipal distribution facilities (unless the Municipality consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of PJM); provided, however, that BTMG does not include: (i) at any time, any portion of such generating unit's capacity that is designated as a Generation Capacity Resource; or (ii) in an hour, any portion of the output of such generating unit that is sold to another entity for consumption at another electrical location or into the PJM Energy Market.

(f) Capacity Pool - Device by which installed capacity is supplied under this Schedule to Capacity Pool Participant.

(g) Capacity Pool Participant - AMP Member receiving installed capacity service from AMP under this Schedule.

(h) Capacity Pool Resource - Source of capacity of the Capacity Pool for the benefit of the Capacity Pool Participant.

(i) Day Ahead LMP – The hourly forward market price for each pricing point on the PJM system calculated by PJM and posted daily around 1:30 pm ET for the upcoming day, pursuant to the Day Ahead Energy Market rules set forth in the PJM Governing Documents.

(j) Delivery Period – The period of time when energy is actually scheduled and delivered to Pool Participant's Delivery Points.

(k) Delivery Point(s) - The location of Pool Participant's existing facilities connecting their respective electric distribution systems to the interconnecting Transmission Owner's transmission facilities as set forth in Interconnection Agreements.

(l) Delivery Year – the period from November 1 through October 31 prior to the start of the January 1 calendar year. For example, the Delivery Year for the 2026 calendar year is November 1, 2024 through October 31, 2025.

(m) Dispatch Center Costs – The cost for AMP's dispatch center personnel, facilities, SCADA equipment required for monitoring loads, etc., that are allocated monthly to users of the AMP dispatch center.

(n) Distribution Losses – Losses associated with taking delivery of power below network transmission voltage. Does not include municipal losses.

(o) Energy Pool - Device by which energy is supplied under this Schedule to Pool Participant.

(p) Energy Requirement – Pool Participant's hourly energy needs, including transmission and Distribution Losses as further defined in Section 3.A.

(q) Financial Transmission Right or FTR - Right to receive Transmission Congestion Credits as specified in the PJM Governing Documents.

(r) Generation Schedule – Pool Participant's hour-by-hour schedule of Municipal BTMG or Day Ahead Load Request as designated in Exhibit A. The deadline for submitting the Generation Schedule for the next day is 10:00 am EPT.

(s) Interconnection Agreements - Agreements entered into by and between either a Pool Participant and a Transmission Owner or AMP on behalf of Pool Participant and a Transmission Owner to establish the terms and conditions for the interconnection and coordinated operation of the Pool Participant's electric distribution systems and their use of certain transmission and/or distribution facilities to serve their respective wholesale loads, which are separate from the rates, terms and conditions of transmission service provided by PJM under the PJM Governing Documents.

(t) Locational Marginal Prices or LMP – PJM's hourly integrated locational marginal price for energy that is received or delivered.

(u) Municipal Generation - Generation owned, contracted for or operated by the Pool Participant and used for the Pool Participant's Non-Pool Power. The Pool Participant shall have ultimate authority over the output of any Municipal Generation.

(v) Non-Pool Power – Energy, capacity and other related products that are contracted for or owned directly by the Pool Participant to serve its respective load and not a Pool Resource. Some examples (although not an exhaustive list) of Non-Pool Power are a specific Pool Participant's project shares of AFEC, NYPA, Prairie State, landfill or solar power resources and certain block and remaining requirements energy contracts. Non-Pool Power shall also include Bilateral Sales made by Pool Participant.

(w) PJM - PJM Interconnection L.L.C., a regional transmission organization.

(x) PJM Governing Documents - PJM's Open Access Transmission Tariff, Operating Agreement and Reliability Assurance Agreement as on file with FERC and in effect as well as PJM Manuals.

(y) Pool Participant - AMP Member who executes a Schedule substantially in the form of this Schedule for service from AMP.

(z) Pool Participant's Peak Load - The maximum coincident hourly sum in kilowatts measured at all Delivery Points of Pool Participant, plus the net generation from any generation electrically connected to any Pool Participant's municipal electric system.

(aa) Pool Resource - Source of electric energy, capacity or related services to the extent the same is utilized to provide, or is obligated to provide, capacity, energy, reserves or related services to the Pool for the benefit of the Pool Participant.

(ab) Power Cost Adjustment or PCA - The amount calculated to recover all of the power supply costs incurred by the Pool for the month as further defined in Section 3.A.

(ac) Pricing Point – The PJM Pricing Point for settlements under this Schedule shall be the BLUE RIDGE LMP (PJM Node 1086502850). The Pricing Point for transmission and installed capacity settlements under this Schedule shall be the AEP Zone.

(ad) Real Time LMP – Hourly integrated market price for each pricing point on the PJM system calculated by PJM during the current operating day.

(ae) Renewable Energy Credits ("RECs") – Environmental attributes associated with the generation of electricity from one or more renewable resources and the reporting rights associated with such environmental attributes, which include all of the characteristics of energy produced from an eligible renewable resource (other than the underlying energy itself) which may be unbundled or separated from the energy for the purposes of enabling their sale such that title to the energy and title to the environmental attributes may be held by different persons.

(af) Transmission Owner – Owner of transmission system in which Municipality's distribution service area is electrically connected to.

SECTION 2. TERM

Subject to the conditions contained herein, this Schedule shall be for a term beginning on January 1, 2026 and ending December 31, 2030. This Schedule will continue for successive one-year terms thereafter unless either Party provides written notice of termination to the other Party by no later than twenty-four (24) months before the then current term ends.

In the event that a Pool Participant terminates this Schedule prior to the ending date of any Pool Resource that has been purchased as a Pool Resource, the Pool Participant shall be financially responsible for the positive differential between (1) the actual cost of the unused portion of the Pool Resource until the expiration of the Pool Resource, and (2) the market value of the unused portion of the Pool Resource, as determined by AMP.

SECTION 3. POOL REQUIREMENTS SERVICES

Subject to provisions of this Schedule, AMP shall be the Pool Requirements provider of all electric energy required by Pool Participant for purposes of providing electric service to Pool Participant's retail customers and to the Pool Participant as users of electric service. Pool Participant shall take and pay for the same in accordance with this Schedule. AMP shall provide such Pool Requirements Service in a prudent manner so as to provide reliable electric service to Pool Participant at the lowest overall cost consistent with available sources as further described in this Schedule.

AMP shall provide Pool Participant's, energy, capacity and related services from Pool Resources for the benefit of Pool Participant by purchasing various economical Pool Resources from time to time subject to the provisions of this Schedule. Such Pool Resources shall include, but shall not be limited to, purchases or sales of short-term energy sources, RECs, generation owned and operated by Pool Participant or other municipal systems and generation owned and operated by AMP, transmission and related services, or a combination of the above.

The charges include all costs to AMP associated with providing Pool Resources as listed in Exhibit B, (based on known PJM charges as of April 1, 2025). All costs of providing Pool Resources for purposes of supplying the Pool requirements shall be determined and recovered by AMP from Pool Participant, in accordance with this Schedule.

AMP shall provide the Pool Requirements Service to the Pool Participant as follows:

A. Energy Requirements Service.

AMP shall procure Energy Pool Resources on behalf of Pool Participant for periods of one (1) year or less, up to twenty-four (24) months in advance of the Delivery Period.

Energy Requirements shall be calculated on an hourly basis as follows:

Pool Participant's Energy Requirement shall be equal to the metered kilowatt-hour demand plus any Behind the Meter Generation ("BTMG") plus transmission losses plus Distribution Losses or the Pool Participant's Generation Schedule (if Option B is utilized),

Where transmission losses equal the metered kilowatt-hour demand multiplied by the Transmission Owner's transmission loss Factor; and,

Distribution Losses equal the metered kilowatt-hour demand multiplied by the Transmission Owner's Distribution loss factor (if applicable).

Table 1 – Hourly Energy Requirements Example

Example	Tie Line Meter (A)	BTMG (B)	Transmission Loss Factor (C)	Distribution Loss Factor (D)	Transmission Losses (E=AxC)	Distribution Losses (F=AxD)	Generation Schedule if Using Opt B under Gen Deviation (G)	Total Requirements (H=A+B+E+F, or H=G)
Example 1	1,000 kWh	-	1.03	1.00	30 kWh	-		1,030 kWh
Example 2	1,000 kWh	500 kWh	1.03	1.05	30 kWh	50 kWh		1,580 kWh
Example 3	1,000 kWh	-	1.03	1.05	30 kWh	50 kWh		1,080 kWh
Example 4 (Using Opt B – Fixed Load Sched)	N/A		N/A		N/A		1,000 kWh	1,000 kWh

Pool Participant's Energy Requirements shall first be filled by Pool Participant's Non-Pool Power.

In the event that Pool Participant is utilizing BTMG (option A or C) as Non-Pool Power, the hourly Non-Pool Power energy credit shall be equal to the Generation Schedule (Option A) or actual Municipal BTMG (Option C).

All energy provided shall be arranged, scheduled, and dispatched, subject to contractual limitations, by AMP, which shall do so in such a manner as to provide the lowest overall cost consistent with reliability, prudence and all contractual limitations. Accordingly, such arrangement, scheduling and dispatching may, from time to time, be done in an order other than specified above.

Pool Participant's remaining energy requirements after Pool Participant's Non-Pool Power shall be filled from the Energy Pool.

If Pool Participant's Non-Pool Power is greater than Pool Participant's metered load plus

Transmission and Distribution Losses for any hour, Pool Participant shall sell the excess energy to the Pool at the PJM Day Ahead LMP rate for the PJM Pricing Point.

If Pool Participant's Non-Pool Power is less than Pool Participant's metered load plus Transmission and Distribution Losses for any hour, Pool Participant shall purchase remaining energy needs from the Energy Pool at the PJM Day Ahead LMP rate for the PJM Pricing Point times a Power Cost Adjustment ("PCA") calculated to recover all of the power supply costs incurred by the Energy Pool for the month as follows.

The PCA shall equal the [Total Energy Pool Requirements Costs divided by the Total Energy Pool Requirements Costs at the Day Ahead Price].

> Where the Total Energy Pool Requirements Cost is equal to the cost of all Energy Pool block and daily energy purchases plus all market purchases and purchases of excess energy from Pool Participant plus any generation deviation purchase or sales plus any calculated Inadvertent Energy Purchases plus congestion and Transmission and Distribution losses on all purchases (Total Energy Pool Requirements Costs); and,

The PCA shall not be greater than 1.50 and not less than 0.50. In the event that the PCA would exceed those limits, then an amount of dollars (positive or negative) would be transferred from the Energy Pool to Ancillary Services to bring the PCA back to its limit.

Inadvertent Energy Purchases are calculated to divide real time energy market purchases and sales between Pool energy and ancillary services as set forth below in Table 2 and 3. AMP will also take into account BTMG (how it is scheduled via Attachment A) when calculating Inadvertent Energy.

Table 2 – Inadvertent Energy Purchase Example

Hour	DA LMP	DA Forecast (MW)	RT LMP	Actual Load (MW)	RT Position	Total Cost of Energy	If Actual Load was at DA LMP	Inadvertent Charged to Ancillary Service
	A	B	C	D	E=D-B	F=AxB+CxE	G=AxD	H=F-G
1 – Over Forecast	$20	50	$24	49	-1	$976	$980	-$4 Transfer from Ancillary to Energy Pool
2 – Over Forecast	$20	50	$15	49	-1	$985	$980	$5 Transfer from Energy Pool to Ancillary
3 – Under Forecast	$20	50	$16	52	2	$1,032	$1,040	-$8 Transfer from Ancillary to Energy Pool
4 – Under Forecast	$20	50	$28	51	1	$1,028	$1,020	$8 Transfer from Energy Pool to Ancillary

An example of the PCA calculation is shown in Table 3 below.

Table 3 – PCA Calculation Example

Participant	**Net kWh**	**Cost**
Market Purchases from PJM	2,220,000	$ 102,000
Purchase of Member Excess at DA LMP	50,000	$ 2,000
Pool Monthly Block Purchase	320,000	$ 9,600
Pool Daily Block Purchase	118,160	$ 6,000
Congestion and Losses on Pool Resources		$ 100
Calculated Inadvertent Energy		$ (5,000)
Total	2,708,160	$ 114,700
Total Pool Requirements at DA LMP	2,708,160	$ 113,736
Pool PCA		$114,700 / $113,736 = 1.0084757

B. Generation Schedule Deviation Service.

AMP shall provide Generation Deviation Service to Pool Participants as follows:

(1) **For BTMG under option A and D in Exhibit A**: The generation deviation requirements of the Pool Participant shall be calculated on an hourly basis as follows:

Generation Deviation energy purchase or sale (if negative) shall be equal to Pool Participant's Generation Schedule minus the net actual BTMG.

(2) **For Day Ahead Load under Option B in Exhibit A**: The generation deviation requirements of the Pool Participant shall be calculated on an hourly basis as follows:

Generation Deviation energy purchase or sale (if negative) shall be equal to Pool Participant's Energy Requirement minus Pool Participant's Generation Schedule;

(3) Sales and purchases of Generation Deviation Energy shall be at the PJM Real Time LMP for the PJM Pricing Point.

Generation Deviation shall be calculated on an hourly basis. An example of the Generation Deviation calculations is shown below.

Table 4 – Generation Schedule Deviation Calculation Example

Participant	BTMG (A)	Generation Schedule (B)	Participant Energy Requirement (C)	Generation Deviation (D=A-B-C)*
Participant using Option A	1,500 kWh	700 kWh	N/A	(800) kWh
Participant using Option B	N/A	900 kWh (Load Sched)	2,900 kWh	2,000 kWh
Participant using Option C	N/A	No schedule submitted (Non-Pool=Gen)	N/A	0 kWh
Participant using Option D	500 kWh	No schedule submitted (all Gen sold to Real Time)	N/A	(500) kWh
*Positive means purchase, negative means sale				

C. Demand Related Transmission Costs.

Subject to provisions of this Schedule, AMP shall be the transmission requirements provider of all PJM transmission service required by Pool Participant to provide electric service to Pool Participant's customers. Pool Participant shall take and pay for the same in accordance with this Schedule.

Demand-related transmission charges shall be billed based on the interconnecting Transmission Owner. Notwithstanding the foregoing, nothing in this agreement shall prohibit Pool Participant from contacting, coordinating, requesting or obtaining technical or other information or interfacing in any way with PJM or Transmission Owners regarding facilities, technical, equipment, engineering or other issues regarding Pool Participant-owned facilities, point of contact equipment or service in accordance with the terms and conditions of any applicable Interconnection Agreements.

The transmission rate in dollars per kilowatt-month ($/kW-mo) shall include the Transmission Owner network transmission service charges as listed in Exhibit B (including any transmission peak shaving savings from behind the meter generation located in Pool Participant's corporate limits). The credit or charge shall be calculated in the same manner as that calculated by PJM.

Transmission Demand shall be calculated on a monthly basis as follows:

> Pool Participant's Tie Line Meter + BTMG at the 1CP plus any 1CP adders assessed by PJM for failure of BTMG to operate at their PJM BTMG obligation during PJM Max Emergency Generation events during the previous year minus any 1CP credits provided by PJM for BTMG that was installed after the time of the 1CP but prior to December 1 of the previous year.

An example of Transmission Demand calculations is listed in Table 5.

Table 5 – Transmission Demand Calculations Example

Example	Tie Line Meter at 1CP (A)	BTMG at 1CP (B)	1CP Adder for BTMG Failure during PJM Emergency (C)	Total Transmission Demand (D=A+B+C)
Example 1	1,000 kW			1,000 kW
Example 2	1,000 kW	500 kW		1,500 kW
Example 3	1,000 kW	300 kW	30 kW	1,330 kW
Example 4	(1,000) kW	4,000 kW		3,000 kW

D. Energy Related Ancillary Costs.

Subject to provisions of this Schedule, AMP shall be the ancillary services requirements provider of all ancillary services required by Pool Participant to provide electric service to Pool Participant's customers. Pool Participant shall take and pay for the same in accordance with this Schedule.

The ancillary services transmission rate in dollars per megawatt-hour ($/MWh) shall be equal to:

> Energy based ancillary service charges as listed in Exhibit B (including, for example, PJM and AMP scheduling and inadvertent charges, operating reserves, economic load response charges/credits, PJM interchange meter correction charges and transmission loss credits), plus charges or credits for FTRs not assigned to Non-Pool or Pool Power.

An example of monthly energy requirements calculations is below in Table 6.

Table 6 – Monthly Energy Requirements Example

Example	Monthly Tie Line Meter (A)	Monthly BTMG (B)	Transmission Loss Factor (C)	Distribution Loss Factor (D)	Transmission Losses (E=AxC)	Distribution Losses (F=AxD)	Total Monthly Energy Requirements (G=A+B+E+F)
Example 1	100,000 kWh		1.03		3,000 kWh		103,000 kWh
Example 2	100,000 kWh	50,000 kWh	1.03	1.05	3,000 kWh	5,000 kWh	158,000 kWh
Example 3	100,000 kWh		1.03	1.05	3,000 kWh	5,000 kWh	108,000 kWh
Example 4	(100,000) kWh	400,000 kWh	1.03		(3,000) kWh		297,000 kWh

E. Capacity Pool Requirements Service.

Subject to provisions of this Schedule, AMP shall be the provider of capacity required by Pool Participant to meet PJM capacity requirements, provided that Pool Participant may

purchase PJM capacity from suppliers other than AMP with AMP's approval, which shall not be unreasonably withheld. Pool Participant shall take and pay for capacity from AMP in accordance with this Schedule.

Pool Participant's capacity requirements shall be calculated on a monthly basis as follows:

> Pool Participant's purchase of capacity shall be equal to the average load at the 5CP plus any 5CP adders assessed by PJM for failure of Municipal Generation to operate at their PJM BTMG obligation during PJM Max Emergency Generation events during the previous year minus any 5CP credits provided by PJM for BTMG that was installed after the time of the 5CPs but prior to December 1 of the previous year.

An example of Capacity Demand calculations is the same as how Transmission Demand is calculated, in Table 5 (other than 5CP replacing 1CP).

Pool Participant's purchase of Capacity Pool Requirements Service shall be at the monthly rate calculated in dollars per kilowatt-month ($/kW-mo) and shall be equal to:

> Net cost of capacity charges and credits as listed in Exhibit B (including, for example, purchases or sales from the PJM capacity market, any installed capacity peak shaving savings from BTMG located in Pool Participant's corporate limits, any bilateral Transactions, and any PJM capacity penalties or bonus payments attributed to any RPM Pool Resources) divided by Total Capacity Requirements.

AMP shall not procure Capacity Pool Resources that will obligate AMP, and therefore the Capacity Pool Participant, for periods greater than one (1) year, unless Capacity Pool Participant authorizes the same by the affirmative consent in writing. Due to the nature of the PJM capacity auctions, AMP is authorized to procure Capacity Pool Resources for periods of one year or less up to 42 months in advance of the start of delivery.

AMP shall distribute demand response credits or charges or capacity auction credits or charges from PJM attributed to Pool Participant's Non-Pool Power and Demand Response Resources that are entitled to the same from PJM.

F. FTRs, Congestion and Losses.

AMP shall procure FTRs on behalf of Pool Participant for periods of one (1) year or less, up to forty-eight (48) months in advance of the Delivery Period.

AMP shall provide a credit or charge to Pool Participant based on FTRs held by AMP on behalf of Pool Participant for the Pool Participant's Non-Pool Power.

AMP shall provide a credit or charge to Pool Participant based on congestion billed by PJM to AMP associated with delivery of Pool Participant's Non-Pool Power. The credit or charge shall be calculated in the same manner as that calculated by PJM.

AMP shall provide a credit or charge to Pool Participant based on marginal losses billed by PJM to AMP associated with delivery of Pool Participant's Non-Pool Power. The credit or charge shall be calculated in the same manner as that calculated by PJM.

SECTION 4. RATES, CHARGES AND BILLING

(A) Pool Participant shall be charged and billed by AMP, in accordance with Section 7 of the Master Services Agreement, for all electric capacity and energy provided pursuant to this Schedule. Along with charges for Non-Pool Power and transmission related charges, if any, Pool Participant will be billed by AMP for Pool Participant 's capacity and energy provided from the Pool. The charges therefore shall include all costs incurred in providing Pool Resources.

(B) The following charges are not Pool-related and shall be billed to the Pool Participant by AMP at cost in the same manner as billed by PJM and Transmission Owner:
- (1) Reactive and Power Factor Correction Charges from PJM or Transmission Owner,
- (2) PJM or Transmission Owner Customer and Metering Charges,
- (3) Transmission Owner Interconnection and Local Delivery Service Charges, including but not limited to distribution voltage delivery charges,
- (4) State taxes billed by PJM or Transmission Owner

(C) Dispatch Center Costs allocated to the Pool Participant are based on AMP's Dispatch Center cost allocation and will be passed through to Pool Participant.

An example of the current dispatch cost allocation calculations is below in Table 7.

Table 7 – Dispatch Center Cost Allocation Example

Participant Monthly Peak Load (kW)												
Jan	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Avg (A)**
13,400	10,800	9,200	8,600	7,800	10,600	11,400	11,200	9,200	7,400	8,200	12,200	**10,000**
(B) Pool participation in Resource 1 that includes Dispatch as part of project rate												**3,200**
(C) Pool participation in Resource 2 that includes Dispatch as part of project rate												**1,800**
(D) Pool share of Dispatch in kW, Max (0, A-B-C)												**5,000**

*The monthly dispatch costs are its kW share as a percent of all AMP dispatchable pool/resource kW applied to the total AMP monthly shared dispatch costs. Any direct, Pool-specific dispatch costs are added to this.

(D) Pool Participant shall pay AMP's Service Fee B ($0.00058 / kWh as of January 1, 2026) for all power sold or arranged for and delivered pursuant to this Schedule.

SECTION 5. DELIVERY POINTS AND INTERCONNECTION POINTS

The initial Delivery Point(s) pursuant to this Schedule shall be the point(s) where the facilities of Pool Participant currently are electrically connected to the PJM system. Changes to or additional delivery points shall be arranged subject to negotiations with PJM or the orders of any tribunal of competent jurisdiction.

SECTION 6. SPECIAL TERMS AND CONDITIONS

(A) Unless otherwise agreed, Pool Participant shall provide, or cause to be provided, at no cost to AMP, at each Delivery Point suitable space for metering, monitoring or communications equipment reasonably required by AMP.

Unless otherwise agreed, Transmission Owner has installed suitable meters for the purpose of determining billing quantities hereunder. All meters and metering equipment installed by Transmission Owner are and shall remain property of Transmission Owner.

Transmission Owner has agreed to provide to AMP and for AMP's use, metering data from each of the meters employed hereunder. Pool Participant shall provide or cause to be provided, at its expense, to AMP real time metering data from any generating facilities operated within Pool Participant 's service area.

(B) The Parties shall keep such records as may be needed to afford a clear history of all transactions under this Schedule. The originals of all such records shall be retained by each Party for a minimum of three (3) years and copies shall be delivered to the other Party upon request.

(C) All terms and conditions of the Master Services Agreement in effect between the Parties that are not in conflict with the terms and conditions of this Schedule shall be applicable to this Schedule.

SECTION 7. MISCELLANEOUS

(A) **Assignment**. Neither this Agreement nor any interest therein shall be assigned by any Party without the prior written consent of the other Party.

(B) **No Waiver**. A Party’s failure to insist in any one or more instances upon strict performance of any provision of the Agreement, or failure or delay to take advantage of any of its rights or remedies hereunder, violation, or default, shall not be construed as a waiver by the Party of any such performance, provision, right, breach, violation, or default, either then or for the future. Any waiver shall be effective only if in writing and signed by each Party’s authorized representative, and only with respect to the particular case expressly covered therein.

(C) **Law and Venue**. This Agreement shall be governed by, construed, and enforced in accordance with the law of the State of Ohio. Any legal claim, suit, proceeding, or action brought by a Party shall be brought in an Ohio state court or a federal court located in Ohio.

(D) **Headings**. The headings assigned to the Articles of this Agreement are for convenience only and shall not limit the scope and applicability of the Articles.

(E) **Survival**. All provisions providing for limitation of or protection against loss or liability of the Parties, including all protections and indemnities, shall survive termination, suspension, cancellation or expiration of this Agreement.

(F) **Force Majeure**. The Parties acknowledge that Force Majeure events may affect the performance of this Agreement and agree that the Parties shall not be liable to each other for any breach or failure to perform under this Agreement caused by Force Majeure.

(G) **Limitations of Liability.** To the extent permitted by law, the liability of a Party under this Agreement shall be limited to direct actual damages. No Party shall be liable for any special, indirect, incidental, punitive, or consequential losses, damages, judgments, fines, penalties, costs or expenses whatsoever including, but not limited to: (i) delayed, lost or reduced profits, revenues, efficiency, productivity, business opportunities; or (ii) increased or extended overheads, operating, maintenance, depreciation, financing costs or expenses arising out of, related to, or in connection with the performance or breach of this Agreement whether based upon contract, tort (including negligence), warranty, strict liability or under any other legal or equitable theory.

SECTION 8. REPRESENTATIONS

(A) Each Party has full legal right and authority to enter into this Schedule, to carry out its obligations hereunder and to provide and receive the products and services provided herein.

(B) Each Party shall comply with Good Utility Practice, Applicable Technical Standards, PJM Governing Documents and Applicable Laws in performing its respective obligations and responsibilities under this Schedule.

(C) Each Party will inform the other of any changes to its respective facilities or needs that might reasonably be expected to affect the products or services provided hereunder.

SECTION 9. PRIOR SCHEDULES

Any Pool Schedules entered into by the Participant and any amendments thereto shall terminate on the Effective Date of the Schedule and shall no longer be of any force or effect after the Effective Date of the Schedule except to the extent billing or like matters remain outstanding.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date written by their duly authorized representatives.

CITY OF DANVILLE, VIRGINIA	**AMERICAN MUNICIPAL POWER, INC.**
BY:_____	**BY:_____** **Jolene M. Thompson**
TITLE:_____	**President/CEO**
DATE:_____	**DATE: _____**
APPROVED AS TO FORM:	**APPROVED AS TO FORM:**
_____ **Municipality's Legal Counsel**	**_____** **Lisa G. McAlister, General Counsel**

ATTACHMENT A
MUNICIPAL GENERATION SCHEDULE

City of Danville, Virginia

MUNICIPAL GENERATION RESOURCE = Danville Hydros, Diesel and Battery

A. _____ Pool Participant will submit a daily schedule of Municipal Generation that will be treated as Non-Pool Power to AMP.

B. _____ Pool Participant wishes to serve a portion of its load at the Real Time LMP. Pool Participant will submit a daily schedule of the portion of its load that will be treated as Non-Pool Power to AMP.

C. _____X_____ Pool Participant will NOT submit a daily schedule. Pool Participant's daily schedule shall be equal to actual output of Municipal Generation, so that all output will be treated as Non-Pool Power.

D. _____ Pool Participant will NOT submit a daily schedule. Pool Participant's daily schedule shall be equal to 0 MW, so that actual output of Municipal Generation will be credited at the Real Time LMP.

EXHIBIT B
ASSIGNMENT OF PJM AND POOL COSTS
BASED ON PJM CHARGES AS OF APRIL 1, 2025

PJM Line Item	Pool Energy	Transmission Demand	Ancillary	Capacity	Direct to Participant
1100 Network Integrated Transmission Service		X			
1108 Transmission Enhancement		X			
1109 MTEP Cost Recovery		X			
1115 Transmission Enhancement Settlement		X			
1120 Other Supporting Facilities					X
1130 Firm Transmission Service		X			
1140 Non-Firm Transmission Service		X			
1200 Day-ahead Spot Market Energy	X				
1205 Balancing Spot Market Energy	X				
1210 Day Ahead Transmission Congestion	X				X
1215 Balancing Transmission Congestion	X				
1220 Day Ahead Transmission Losses	X				X
1225 Balancing Transmission Losses	X				
1230 Inadvertent Interchange			X		
1242 Day-Ahead Load Response Allocation			X		
1243 Real-Time Load Response Allocation			X		
1245 Pre-Emer and Emergency Load Response			X		
1250 Meter Error Correction			X		
1301 PJM Control Area Administration			X		
1302 PJM FTR Administration			X		
1303 PJM Market Support			X		
1305 PJM Capacity Resource / Obligation Mgt				X	
1313 PJM Settlement Inc.			X		
1314 Market Monitoring Unit Funding			X		
1315 FERC Annual Recovery			X		
1316 Organization of PJM States, Inc. Funding			X		
1317 N. American Electric Reliability (NERC)			X		
1318 Reliability First Corporation (RFC)			X		
1319 Consumer Advocates of PJM States, Inc			X		
1320 Transmission Owner Dispatch Service			X		
1330 Reactive Supply from Generation		X			
1340 Regulation and Frequency Response			X		
1360 Synchronized Reserve			X		
1361 Secondary Reserve			X		
1362 Non-Synchronized Reserve			X		
1365 Day-ahead Scheduling Reserve			X		
1370 Day-ahead Operating Reserve			X		
1371 Day-ahead Op Reserves for Load Resp			X		
1375 Balancing Operating Reserve			X		
1376 Balancing Op Reserves for Load Resp			X		
1380 Black Start Service		X			
1500 Financial Trans. Rights Auction	X				X
1610 Locational Reliability				X	
2100 Network Integrated Transmission Credit		X			
2130 Firm PTP Transmission Service Credit		X			

PJM Line Item	Pool Energy	Transmission Demand	Ancillary	Capacity	Direct to Participant
2140 Non-Firm PTP Transmission Svc. Credit		X			
2211 Day-ahead Transmission Congestion	X				X
2215 Balancing Transmission Congestion			X		
2220 Transmission Losses Credits			X		
2260 Emergency Energy			X		
2320 Transmission Owner Dispatch Svc Credit			X		
2330 Reactive Supply from Generation Credit		X			
2340 Regulation and Frequency Resp Credit			X		
2360 Balancing Synchronized Reserve Credit			X		
2361 Balancing Secondary Reserve Credit			X		
2366 Day-Ahead Synchronized Reserve Credit					X
2367 Day-Ahead Secondary Reserve Credit					X
2370 Day Ahead Operating Reserve Credit			X		
2375 Balancing Operating Reserve Credit			X		
2380 Black Start Service Credit		X			
2390 Fuel Cost Policy Penalty Credit		X			
2500 Financial Transmission Rights Auction	X				X
2510 Auction Revenue Rights		X			
2600 RPM Auction				X	
2630 Capacity Transfer Rights				X	
2640 Inc. Capacity Transfer Rights				X	
2650 Auction Specific MW Transaction				X	X
2661 Capacity Resource Deficiency Credit				X	
2667 Bonus Performance				X	
Excess Energy Purchase Section 3A	X				
Generation Deviation Section 3B	X				
BTMG Capacity Peak Shaving Section 3E				X	
BTMG Transmission Peak Shaving Section 3C		X			
Calculated Inadvertent Charges Section 3A	X		X		

Assignment of other, less frequently used PJM account codes:

Pool Energy: 1216, 1218, 1260, 1400, 1410, 1420, 1662, 1957, 2218

Transmission Demand: 1101, 1104, 1378, 1490, 1710, 1930, 1980, 1999, 2217

Ancillary: 1246, 1304, 1306-1308, 1310-1311, 1377, 1430, 1440-1450, 1460, 1472, 1475, 1478, 1480, 1730, 1911, 1952, 1995, 2245, 2362, 2365, 2368, 2375, 2415, 2420, 2912, 2980

Capacity: 1312, 1600, 1611, 1660-1661, 1665-1667, 1670, 1682, 1685, 1687-1688, 2605, 2620, 2660, 2662, 2665-2666, 2669, 2681-2682, 2685

Council Letter
City of Danville, Virginia

CL - 2684 **NEW BUSINESS G.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Agreement with Microporous, LLC to Extend Natural Gas Infrastructure to the Southern Virginia Megasite at Berry Hill.

From: Jason Grey, Director of Utilities

COUNCIL ACTION

Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into an Agreement with Microporous, LLC for the Construction and Operation of a Natural Gas Line Extension.

SUMMARY

The City is working with Southwest Virginia Gas to deliver natural gas service to Microporous, LLC on Berry Hill Road in Pittsylvania County. The project would involve extending the City's natural gas infrastructure approximately 3.5 miles to the Southern Virginia Megasite (SVMS) at Berry Hill. The City has received a grant from the Virginia Economic Development Partnership and the Virginia Tobacco Region and Revitalization Commission (TRRC) to build the infrastructure needed to serve Microporous and future SVMS if needed. The City has also received a $2,000,000 loan from TRRC for expenses not covered in the two grants. If approved, the project would be completed by June 2027.

BACKGROUND

The City of Danville, in coordination with Southwest Virginia Gas, is pursuing an extension of natural gas service to provide adequate capacity for Microporous, LLC at the Southern Virginia Mega Site (SVMS). The extension is anticipated to be more cost-effective than the construction of a new gas gate on the Transcontinental Natural Gas Pipeline. This project is intended to ensure natural gas service is available in alignment with the anticipated construction completion date of June 2027. In 2024, Microporous announced its intent to locate the facility on Lots 1 and 2 at the SVMS.

RECOMMENDATION

Staff recommends that City Council approve a Resolution authorizing the City Manager to enter into a natural gas construction and operation agreement to with Microporous, LLC.

Attachments

1. Resolution
2. Microporous - Gas Agreement

PRESENTED: _____

ADOPTED: _____

RESOLUTION NO. 2026-____.____

RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH MICROPOROUS, LLC FOR THE CONSTRUCTION AND OPERATION OF A NATURAL GAS LINE EXTENSION.

WHEREAS, the City of Danville, Virginia (the "City"), is a political subdivision organized and existing pursuant to the laws of the Commonwealth of Virginia and owns and operates a municipal natural gas utility system for the benefit of its citizens and customers; and

WHEREAS, Microporous, LLC (the "Customer") is constructing an industrial facility at the Danville–Pittsylvania Regional Industrial Facility Authority property located at 3304 Berry Hill Road, Danville, Virginia; and

WHEREAS, the Customer has requested that the City extend its natural gas infrastructure by constructing certain new gas mains and related facilities (the "City Line Extension") through the certificated service territory of Southwestern Virginia Gas Company to facilitate natural gas transportation service to the Customer Facility; and

WHEREAS, the City and the Customer have negotiated an Agreement for the Construction and Operation of a Certain Gas Line Extension (the "Agreement"), which sets forth the respective rights and obligations of the parties with respect to the engineering, permitting, construction, operation, and cost recovery associated with the City Line Extension; and

WHEREAS, the Agreement provides for contribution in aid of construction payments and natural gas transportation charges to be paid by the Customer to the City, and clarifies that the City is not obligated to supply natural gas to the Customer; and

WHEREAS, the City Council has reviewed the proposed Agreement and finds that entering into the Agreement is in the best interests of the City and supports economic development while protecting the City's financial and operational interests.

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

SECTION 1. That the Agreement for the Construction and Operation of a Certain Gas Line Extension between the City of Danville, Virginia and Microporous, LLC, substantially in the form presented to Council and including all exhibits thereto, is hereby approved.

SECTION 2. That the City Manager is hereby authorized and directed to execute and deliver, on behalf of the City, the Agreement and any related exhibits, amendments, or ancillary documents necessary to carry out the intent of this Resolution, with such non-material changes as may be approved by the City Manager and City Attorney.

SECTION 3. That the Director of Utilities is hereby authorized to administer the Agreement, oversee the engineering, permitting, construction, and operation of the City Line Extension, and take all actions necessary or convenient to implement the Agreement in accordance with its terms.

SECTION 4. That all actions previously taken by officers, employees, and agents of the City in connection with the negotiation of the Agreement and the planning of the City Line Extension are hereby ratified and affirmed.

SECTION 5. That it is hereby found and determined that all formal actions of the City Council concerning and relating to the adoption of this Resolution were taken in an open meeting of the City Council, and that all deliberations of the City Council and of any of its committees that resulted in such formal action were taken in meetings open to the public in compliance with all applicable legal requirements.

SECTION 6. That if any section, subsection, paragraph, clause, or provision of this Resolution shall be adjudged invalid by a court of competent jurisdiction, such adjudication shall not affect the validity of the remaining portions of this Resolution.

AND BE IT FINALLY RESOLVED, by the Council of the City of Danville, Virginia, that the City Manager, Kenneth F. Larking, be, and is hereby, authorized and directed to execute the Agreement and any other documents necessary to be executed or signed to complete this transaction.

Approved:

_____
Mayor

ATTEST:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

AGREEMENT FOR THE CONSTRUCTION AND OPERATION OF A CERTAIN GAS LINE EXTENSION

BETWEEN

MICROPOROUS, INC.

AND THE

City of Danville, Virginia

This Agreement for Construction and Operation of a Certain Gas Line Extension ("**Agreement**") is made by and between the City of Danville, Virginia (the "**City**"), and Microporous, LLC, a Delaware limited liability company (the "**Customer**"), on this __ day of_____, 2026 ("**Execution Date**") (the City and the Customer, together, the "**Parties**" and each individually, a "**Party**"). The Parties state as follows:

WHEREAS, the Customer is constructing a facility at the Danville-Pittsylvania Regional Industrial Facility Authority property located at 3304 Berry Hill Road, Danville, Virginia 24540 (the "**Customer Facility**").

WHEREAS, the Customer Facility is located within the certificated service territory of Southwestern Virginia Gas Company ("**SVGC**").

WHEREAS, for the Customer Facility to receive natural gas service through SVGC's territory, a gas main and other facilities must be constructed connecting the Customer Facility to the City's gas mains.

WHEREAS, in order to avoid the need for an upfront contribution in aid of construction ("**CIAC**") payment or collateral commitment by Customer to SVGC for its infrastructure investments, Customer has requested that the City extend its gas infrastructure by installing the new gas main and other facilities through SVGC's service territory (the "**City Line Extension**") to allow for the transportation of gas by the City.

WHEREAS, in exchange for extending the City's gas infrastructure through SVGC's territory, the Customer agrees to pay to the City a monthly CIAC payment for the City to construct and operate the City Line Extension.

WHEREAS, following the construction of the City Line Extension, the City will own and operate the City Line Extension and provide natural gas transportation service to Customer through the City Line Extension.

WHEREAS, the City represents that SVGC has, in a separate instrument, authorized the City to construct and operate the City Line Extension within SVGC's service territory.

WHEREAS, the Customer acknowledges that nothing in this Agreement requires the City to supply gas to the Customer Facility and that the Customer will purchase gas from either SVGC or from a third-party competitive service provider or aggregator ("**CSP**").

WHEREAS, the Customer acknowledges that payments made to the City (both CIAC payments and payments for natural gas transportation service) pursuant to this Agreement **are distinct from and in addition to payments made to SVGC and any CSP.**

WHEREAS, Customer understands that to receive gas at the Customer Facility, it must make payments to: (i) the City for its costs to construct the City Line Extension (*i.e.* CIAC payments); (ii) the City for natural gas transportation service at the City's monthly natural gas transportation service rate; (iii) Customer's natural gas supplier; and (iv) SVGC for certain non-gas distribution (or transportation) service. Customer further acknowledges that failure to make any such payment(s) may result in the interruption, suspension, or termination of gas service to the Customer Facility.

In consideration of the mutual covenants and agreements contained herein, the Parties hereto contract and agree with each other as follows:

I. Service and Term

A. The term of this Agreement shall become effective upon execution (the "**Execution Date**") and shall remain in effect for an initial period ending thirty-six (36) months after the Service Date, as defined below (the "**Initial Term**"), and shall continue in successive one (1)-year terms thereafter, renewing annually (each an "**Annual Renewal Term**"), until either Party gives the other at least 90 but no more than 180 days written notice of termination. Termination by the Customer during the Initial Term or in subsequent Annual Renewal Term(s) shall be subject to a "Termination Payment" set forth in Paragraph IV below. For the avoidance of doubt, as of the Execution Date, the Parties intend for the Initial Term to end on May 31, 2030.

B. In exchange for the payments specified in Paragraph III below, the City will: (i) construct, operate, and maintain the City Line Extension as described in Exhibit A; (ii) connect the City Line Extension to the SVGC regulator/meter station ("**SVGC Station**"); and (iii) transport gas purchased at the City's approved natural gas transportation rate schedule by the Customer (either from SVGC or a CSP) from the Transcontinental Gas Pipeline ("**Interstate Pipeline**") to the SVGC Station, as specified in Exhibit A, using the City's infrastructure (which will then include the City Line Extension). For the avoidance of doubt, nothing in this Agreement obligates the City to purchase gas for the Customer, nor to provide end-use distribution service to the Customer Facility.

C. The Parties agree that, for the Customer Facility to be served, the Customer must enter into one or more separate agreements with certain third persons that are not parties to this Agreement, namely:

    i. For non-gas distribution service, Customer must enter into a separate agreement with SVGC; and

ii. Customer will enter into a separate gas supply service agreement from either SVGC or from a licensed CSP or natural gas marketer.

D. Starting on the Service Date (specified below) and continuing through the Initial Term and throughout any subsequent Annual Renewal Terms, the City shall transport gas at the City's approved natural gas transportation rate schedule from the Interstate Pipeline to the SVGC Station on behalf of the Customer. Such transportation service is subject to City of Danville Code Chapter 38, Utility Services, which governs provision of utility services by the Danville Utilities Department. Such service shall be provided pursuant to the general service policies set by the Danville Utility Commission or as may be designated by the City Council or City Manager. During the Initial and any subsequent Annual Renewal Terms, service by the City on behalf of the Customer shall be subject to terms, conditions, rates, and charges specified in the City's Schedule 50 (Firm Industrial Transportation Gas Service).

II. Engineering, Permitting and Construction of City Line Extension

A. Upon the execution of this Agreement, the City represents that it will engineer, design, develop, permit, and construct the City Line Extension and the connection to the Interstate Pipeline and SVGC Station.

B. The City will procure all necessary permits and perform detailed engineering, procurement, and construction activities related to the City Line Extension ("**Engineering, Permitting and Construction**"). The City's undertaking of Engineering, Permitting and Construction are based on the load characteristics, schedule, and delivery expectations provided by Customer. **Any changes in load, schedule & delivery expectations will impact scheduling & overall project cost.**

C. The City understands that the natural gas service will be required no later than June 1, 2027 (the "**Service Date**"). The City agrees to take all reasonable efforts to complete the City Line Extension or before the Service Date, but the Customer acknowledges that construction may be delayed by forces beyond the City's control and that the City is not responsible for such delays. In the event of such an uncontrollable delay, the Parties agree to work together in good faith to set a new Service Date.

D. The City represents that:

i. The Customer's maximum demand is 12,000 dekatherms per day; and

ii. All right-of-way procurement has been or will be completed as necessary to complete the City Line Extension.

E. The City anticipates a total cost for the City Line Extension as described in Exhibit B. In the event that the City's performance of the services hereunder exceeds the costs described

on Exhibit B, the City shall be entitled, if necessary, to revise the costs and/or the completion date; provided, however that any increase in costs (or any extension of completion date) will be preapproved by Customer and supported by reasonable information and documentation provided by City.

III. Payment, Billing and Fees

A. During the Initial Term, Customer shall make payments to the City consistent with the amounts specified in Exhibit C. Failure to make payments to the City consistent with the amounts specified in Exhibit C shall be considered a breach of this Agreement by the Customer.

B. If the City is unable to complete the City Line Extension by the Service Date, then the Parties shall work together in good faith to negotiate a new Exhibit C to reflect the modified Service Date.

C. During any subsequent Annual Renewal Terms, the Customer shall make monthly payments in the amounts specified under the City's Firm Industrial Transportation Gas Service ("**Schedule 50**") based on the Customer's usage. Customer's failure to make a full payment within thirty (30) days of invoice sent by the City shall be considered a breach of this Agreement by the Customer.

IV. Breach and Termination

A. Customer's failure to make one or more payment(s) pursuant to Paragraph III of this Agreement shall be considered a material breach of this Agreement. Upon such a breach, the City shall notify the Customer and allow at least thirty (30) calendar days for the Customer to cure the breach. The City may, at its discretion, extend the cure period.

B. If the Customer fails to cure the breach or otherwise terminates this Agreement, then the City may suspend or stop transporting gas using the City Line Extension pursuant to this Agreement until payment is made. Such a termination or uncured breach by Customer during either the Initial Term or a subsequent Annual Renewal Term shall also trigger a Termination Payment, as described in Paragraph IV.C, below.

C. During the Initial Term (including before the Service Date) and during any subsequent Annual Renewal Term(s), upon (i) an uncured breach by the Customer that results in termination of this Agreement by the City or (ii) the termination of this Agreement by the Customer for any reason other than a material breach by the City, the Customer shall reimburse the City for its unpaid actual, documented Engineering, Permitting and Construction costs associated with the City Line Extension *plus* any outstanding balance owed to the City by Customer for natural gas transportation service provided to the Customer. Upon receipt of notice of such uncured breach of this Agreement by the Customer or such termination of this Agreement by the Customer, the City shall take reasonable steps to minimize its actual Engineering, Permitting and Construction costs. In such cases of (a) an uncured breach by the Customer that results in termination of this

Agreement by the City or (b) the termination of this Agreement by the Customer during the Initial Term or any subsequent Annual Renewal Term(s) for any reason other than a material breach by the City, the City shall calculate (or, if precise calculation is impractical, reasonably estimate) its unpaid actual Engineering, Permitting and Construction costs associated with the City Line Extension (net of "CIAC payments" already made by the Customer pursuant to Exhibit C) for and invoice the Customer for that amount, *plus* the unpaid balance for any natural gas transportation service provided by the City (together, the "**Termination Payment**"), within ninety (90) days, with payment due from the Customer within thirty (30) days.

D. The terms of this Paragraph IV shall survive termination of this Agreement.

V. Miscellaneous

A. Scope of Agreement – The Customer acknowledges that this Agreement is distinct from and independent of any agreements between the Customer and the ultimate gas supplier(s) ("**Third Persons**"). Any dispute in the negotiation or execution of Customer's agreements with such Third Persons shall not excuse nor relieve the Customer of its obligations to the City under this Agreement.

B. Assignment of Agreement – The Customer shall not assign this Agreement without the express written consent of the City. The City shall have the right to assign this Agreement to any entity, including an affiliated entity, that acquires or otherwise succeeds to the City's business.

C. Easements/Right of Way – In the event the City is unable to secure and/or maintain adequate rights, easements, franchises, and other necessary authorizations, the City shall work with the Customer of viable alternative solutions and timeframes to provide natural gas service. Customer cannot hold the City liable for any delays associated with unforeseen right-of-way acquisitions.

D. Rate Schedules and Riders during Subsequent Annual Renewal Terms – Although the City will not be providing natural gas service to the Customer as an end-user during either the Initial Term or in subsequent Annual Renewal Term(s), charging and billing to Customer for natural gas transportation service during Initial Term or any subsequent Annual Renewal Term(s) will be subject to all applicable City of Danville Natural Gas Rate Schedules & Riders. The provisions of this Agreement, all rate schedules, and the Terms and Conditions of service are subject to modification at any time in the manner prescribed by law. The City of Danville Natural Gas Rate Schedules & Riders referenced herein are hereby incorporated by reference and such current Rate Schedules and riders may be located on the City's internet web site at:

https://home.danvilleutilities.com/DocumentCenter/View/149/2023-2026-Natural-Gas-Rate-Sch edule-PDF?bidId=

E. Prior Agreement(s) – This Agreement and the Exhibits attached hereto embody the entire agreement between the parties hereto and supersede all prior agreements and understandings, if any, relating to the subject matter hereof and thereof.

F. Authorizations – This Agreement shall be binding upon the City only when accepted by its duly authorized agent and shall not be modified by any promise, agreement or representation of any agent or employee of the City unless incorporated in writing in this Agreement before such acceptance.

F. Warranty – The Customer warrants that it is a legal business entity duly organized and existing under the laws of the State of Delaware, and the individual executing this Agreement on behalf of the Customer has been duly authorized to execute this Agreement on the Customer's behalf.

G. Severability – In the event any provision, or any part or portion of any provision, of this Agreement shall be declared by a court of competent jurisdiction to be unlawful, invalid, void or otherwise unenforceable, the remainder of this Agreement shall be severable and remain enforceable. Only the provision (or part or provision thereof) so declared shall be considered unlawful, invalid, or otherwise unenforceable. This Agreement may be executed in counterparts.

H. Governing Law – This Agreement shall be governed by and constructed in accordance with the laws of the Commonwealth of Virginia, without regard to conflict of laws provisions.

I. Venue and Jurisdiction – For all litigation, disputes and controversies which may arise out of or in connection with this Agreement, the undersigned irrevocably and unconditionally consent and agree to the venue and exclusive jurisdiction of the State of Virginia Courts located in the City of Danville, Virginia, or the United States Federal Court located in the Lynchburg, Virginia.

J. Duly Authorized – By their execution of this Agreement, the Parties certify that this Agreement has been duly authorized and executed.

[Remainder of page intentionally blank; signatures follow on next page.]

IN WITNESS HEREOF, the Parties hereby cause this Agreement to be signed as of the first month, day, and year written above.

MICROPOROUS, LLC

By: _____

Name: _____

Title: _____

Customer Federal Tax ID: _____

CITY OF DANVILLE, VIRGINIA

By: _____

Name: Ken Larking

Title: City Manager

Exhibit A: Map of planned City Line Extension, Customer Facility, and SVGC Station

(MAP approved by City)

Exhibit B: Estimated City Line Extension Cost

	ITEM DESCRIPTION	UNIT	UNIT PRICE	QUANTITY	EXTENDED PRICE
	GENERAL CONSTRUCTION				
1.0	Pavement removal and disposal:	SF	$ 11.00	1280	$ 14,080.00
2.0	Sidewalk/driveway section removal and disposal:	SF	$ 8.00	100	$ 800.00
3.0	Rock excavation:	CY	$ 255.00	120	$ 30,600.00
4.0	Furnish & install select fill:	CY	$ 80.00	300	$ 24,000.00
5.0	Furnish & install sand bedding material:	TON	$ 50.00	220	$ 11,000.00
6.0	Furnish & install erosion & sedimentation measures:				
6.1	Silt fences	LF	$ 4.00	7260	$ 29,040.00
6.2	Soil stabilization mats	SY	$ 6.00	2500	$ 15,000.00
6.3	Storm drain inlet protection	EACH	$ 170.00	25	$ 4,250.00
6.4	Temporary stone construction entrances	TON	$ 70.00	150	$ 10,500.00
7.0	Furnish & install surface restoration:				
7.1	Bituminous surfacing	SF	$ 25.00	1280	$ 32,000.00
7.2	Aggregate surfacing	TON	$ 50.00	15	$ 750.00
7.3	Sidewalk/driveway section replacement	CY	$ 620.00	6	$ 3,720.00
	GAS FACILITIES				
8.0	Furnish & install steel gas mains by direct burial:				
8.1	16-inch nominal diameter	LF	$ 225.00	5440	$ 1,224,000.00
8.2	12-inch nominal diameter	LF	$ 189.00	17520	$ 3,311,280.00
9.0	Furnish & install steel gas mains by directional drilling:				
9.1	16-inch nominal diameter	LF	$ 340.00	300	$ 102,000.00
9.2	12-inch nominal diameter	LF	$ 265.00	500	$ 132,500.00
10.0	Furnish & install steel gas mains with casing by underboring:				
10.1	16-inch nominal diameter	LF	$ 970.00	160	$ 155,200.00
10.2	12-inch nominal diameter	LF	$ 780.00	80	$ 62,400.00
11.0	Furnish & install steel gas valves and valve boxes:				
11.1	16-inch nominal diameter	EACH	$ 37,100.00	3	$ 111,300.00
11.2	12-inch nominal diameter	EACH	$ 25,900.00	12	$ 310,800.00
11.3	10-inch nominal diameter	EACH	$ 21,900.00	1	$ 21,900.00
11.4	6-inch nominal diameter	EACH	$ 6,520.00	1	$ 6,520.00
12.0	Furnish & install locating station	EACH	$ 400.00	40	$ 16,000.00
13.0	Furnish and install cathodic protection				
13.1	Furnish and install AC mitigation measures	LF	$ 125.00	5900	$ 737,500.00
13.2	Furnish and install test station	EACH	$ 400.00	9	$ 3,600.00
14.0	Furnish and install pipeline markers	EACH	$ 400.00	25	$ 10,000.00
15.0	Furnish and install tie-ins				
15.1	16-inch nominal diameter	EACH	$ 15,000.00	1	$ 15,000.00
16.0	Furnish and install bottom out or side hot tap operation (steel mains):				
16.1	10-inch nominal diameter	EACH	$ 36,000.00	1	$ 36,000.00
16.2	6-inch nominal diameter	EACH	$ 15,750.00	1	$ 15,750.00
17.0	Meter Set	EACH	$ 125,000.00	1	$ 125,000.00
18.0	Regulator Station	EACH	$ 150,000.00	1	$ 150,000.00
				Subtotal - Construction	$ 6,722,490.00
				+10% Contingency - Construction	$ 672,249.00
				Total - Construction	$ 7,394,739.00

Engineering - Design	$ 286,000.00
Subconsultant - Permitting	$ 20,000.00
Subconsultant - Surveying	$ 125,000.00
Engineering - Specification & Documents	$ 13,000.00
Engineering - Bid Services	$ 15,000.00
Total - Engineering	$ 459,000.00

Total - Project	$ 7,853,739.00

Exhibit C: Schedule of Payments

I: After Execution but before the Service Date (Execution Date – May 31, 2027):

No payments are required from Customer but, in the event of termination, Customer is still subject to a "Termination Payment" pursuant to Paragraph IV of the Agreement.

II. During Initial Term after Service Date (June 1, 2027 – May 31, 2030):

Starting on the Service Date, the Customer shall be responsible for two distinct payments: (i) the Contribution in Aid of Construction ("CIAC") payment and (ii) the Transportation Service Charge:

(i) CIAC Payment: Customer shall make a CIAC Payment of **fifty-thousand dollars ($50,000) per month** for the remainder of the Initial Term (ending May 31, 2030), *plus*;

(ii) Transportation Service Charge: Charges for natural gas transportation service to Customer through the City Line Extension as set forth in applicable City of Danville Natural Gas Rate Schedules & Riders and as further described below in the "Characteristics of Natural Gas Transportation Service."

III. Transportation Service Charges during subsequent Annual Renewal Term(s) (on or after June 1, 2030):

Charges for natural gas transportation service to Customer through the City Line Extension as set forth in applicable City of Danville Natural Gas Rate Schedules & Riders and as further described below in the "Characteristics of Natural Gas Transportation Service."

Characteristics of Natural Gas Transportation Service:

All rate schedules and the Terms and Conditions of service are subject to modification at any time in the manner prescribed by law.

At the time of this Agreement, the applicable rate schedule applicable to Customer is Rate Schedule 50 – Firm Industrial Transportation. The parties agree that such rates are subject to change, and the rates in effect at the time of this Agreement may not reflect the rates that will be in effect during the Initial Term or any subsequent Annual Renewal Terms of this Agreement.

For informational purposes only, as of January 2026, the following rates are in effect for Rate Schedule 50 – Firm Industrial Transportation:

1. Meter Charge - $375/month
2. Distribution Charge - $0.145/therm

Council Letter
City of Danville, Virginia

CL - 2694 **NEW BUSINESS H.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Agreement with Microporous, LLC to Extend Wastewater Infrastructure to Microporous, LLC at the Southern Virginia Megasite at Berry Hill.

From: Jason Grey, Director of Utilities

COUNCIL ACTION

Resolution of the Council of the City of Danville, Virginia Authorizing the City Manager to Enter into an Agreement with Microporous, LLC for the Construction and Operation of a Wastewater Extension.

SUMMARY

At the request of Microporous, LLC, the City has been requested to engineer and construct the wastewater sewer lateral on their property located at 3304 Berry Hill Road in Pittsylvania County. The project would involve extending the wastewater infrastructure on Microporous's property to service their facility. The City has drafted the attached agreement requesting a "Contribution in Aid of Construction" payment of $85,000/month to cover costs associated with the City constructing the sewer lateral. If approved, the project would be completed by August 2027.

BACKGROUND

In 2024, Microporous announced its intent to locate their new facility on Lots 1 and 2 at the Southern Virginia Megasite at Berry Hill. The wastewater extension would be built at Microporous, LLC expense. They would be charged a Contribution in Aid of Construction charge of $85,000/month for three years to cover the engineering and construction costs associated with the project. This payment would not cover the monthly wastewater service as that would be a separate charge based on City Council approved rate schedules.

RECOMMENDATION

Staff recommends that City Council approve a Resolution authorizing the City Manager to enter into a wastewater extension agreement with Microporous, LLC.

Attachments

1. Resolution
2. Microporous - Sewer Facilities Agreement

PRESENTED: _____

ADOPTED: _____

RESOLUTION NO. 2026-____.____

RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AUTHORIZING THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH MICROPOROUS, LLC FOR THE CONSTRUCTION AND OPERATION OF A WASTEWATER EXTENSION.

WHEREAS, the City of Danville, Virginia (the "City"), is a political subdivision organized and existing pursuant to the laws of the Commonwealth of Virginia and owns and operates a municipal wastewater utility system for the benefit of its citizens and customers; and

WHEREAS, Microporous, LLC (the "Customer") is constructing an industrial facility at the Danville–Pittsylvania Regional Industrial Facility Authority property located at 3304 Berry Hill Road, Danville, Virginia (the "Customer Facility"); and

WHEREAS, the Customer has requested that the City extend its wastewater infrastructure by constructing certain new wastewater mains and related facilities (the "Wastewater Extension") to provide wastewater service to the Customer Facility; and

WHEREAS, the City and the Customer have negotiated an Agreement for the Construction and Operation of Wastewater Extension (the "Agreement"), which sets forth the respective rights and obligations of the parties with respect to the engineering, permitting, construction, operation, and cost recovery associated with the Wastewater Extension; and

WHEREAS, the Agreement provides for contribution in aid of construction ("CIAC") payments to be made by the Customer to the City to reimburse the City for its costs, including financing costs, associated with constructing the Wastewater Extension, which payments are separate and distinct from charges for wastewater service; and

WHEREAS, the City Staff has reviewed the proposed Agreement and finds that entering into the Agreement is in the best interests of the City, supports economic development, and appropriately protects the City's financial and operational interests.

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

SECTION 1. That the Agreement for the Construction and Operation of Wastewater Extension between the City of Danville, Virginia and Microporous, LLC, substantially in the form presented to Council and including all exhibits thereto, is hereby approved.

SECTION 2. That the City Manager is hereby authorized and directed to execute and deliver, on behalf of the City, the Agreement and any related exhibits, amendments, or ancillary documents necessary to carry out the intent of this Resolution, with such nonmaterial changes as may be approved by the City Manager and the City Attorney.

SECTION 3. That the Director of Utilities is hereby authorized to administer the Agreement, oversee the engineering, permitting, construction, and operation of the

Wastewater Extension, and take all actions necessary or convenient to implement the Agreement in accordance with its terms.

SECTION 4. That all actions previously taken by the officers, employees, and agents of the City in connection with the negotiation of the Agreement and the planning of the Wastewater Extension are hereby ratified and affirmed.

SECTION 5. That it is hereby found and determined that all formal actions of the City Council concerning and relating to the adoption of this Resolution were taken in an open meeting of the City Council, and that all deliberations of the City Council and of any of its committees that resulted in such formal action were taken in meetings open to the public in compliance with all applicable legal requirements.

SECTION 6. That if any section, subsection, paragraph, clause, or provision of this Resolution shall be adjudged invalid by a court of competent jurisdiction, such adjudication shall not affect the validity of the remaining portions of this Resolution.

AND BE IT FINALLY RESOLVED, by the Council of the City of Danville, Virginia, that the City Manager, Kenneth F. Larking, be, and is hereby, authorized and directed to execute the Agreement and any other documents necessary to be executed or signed to complete this transaction.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

AGREEMENT FOR THE CONSTRUCTION AND OPERATION

OF WASTEWATER EXTENSION

BETWEEN

MICROPOROUS, INC.

AND THE

City of Danville, Virginia

This Agreement for Construction and Operation of Wastewater Facilities ("**Agreement**") is made by and between the City of Danville, Virginia (the "**City**"), and Microporous, LLC, a Delaware limited liability company (the "**Customer**"), on this __ day of_____, 2026 ("**Execution Date**") (the City and the Customer, together, the "**Parties**" and each individually, a "**Party**"). The Parties state as follows:

WHEREAS, the Customer is constructing a facility at the Danville-Pittsylvania Regional Industrial Facility Authority property located at 3304 Berry Hill Road, Danville, Virginia 24540 (the "**Customer Facility**").

WHEREAS, wastewater facilities are needed for the operation of the Customer Facility.

WHEREAS, Customer has requested that the City construct the infrastructure to extend wastewater service to the Customer Facility as described in Exhibit A (the "**Wastewater Extension**").

WHEREAS, in exchange for the City's construction of the infrastructure required for the Wastewater Extension, the Customer agrees to pay to the City a monthly contribution in aid of construction ("**CIAC**") payment to repay the City for its costs to construct the Wastewater Extension.

WHEREAS, the Customer acknowledges that payments made to the City pursuant to this Agreement **are distinct from and in addition to payments** made by the Customer for wastewater service.

In consideration of the mutual covenants and agreements contained herein, the Parties hereto contract and agree with each other as follows:

I. Service and Term

A. The term of this Agreement shall be for an initial period starting on the Execution Date and continuing thirty-six (36) months after the Service Date, specified below (the "**Initial Term**") and shall continue in successive one (1)-year terms thereafter, renewing annually (each an "**Annual Renewal Term**"). Termination by the Customer during the Initial Term or in subsequent Annual Renewal Term(s) shall be subject to a "Termination Payment" set forth in Paragraph IV below.

B. In exchange for the payments specified in Paragraph III below, the City will: (i) construct the Wastewater Extension as described in Exhibit A; and (ii) connect the Wastewater Extension to the City's existing wastewater infrastructure at the location specified in Exhibit A.

C. The Parties agree that, starting on the Service Date, Customer may begin taking service pursuant to the applicable industrial wastewater service rate schedule and shall be subject to all applicable City of Danville Industrial Water & Wastewaters Terms and Conditions, available on the City's web site at:

https://home.danvilleutilities.com/219/Industrial-Water-Wastewater-Rates

II. Engineering, Permitting and Construction of the Wastewater Extension

A. Upon the execution of this Agreement, the City represents that it will engineer, design, develop, permit, and construct the Wastewater Extension and the connection to the relevant City wastewater infrastructure.

B. The City will procure all necessary permits and perform detailed engineering, procurement, and construction activities related to the Wastewater Extension, which shall include all right-of-way procurement ("**Engineering, Permitting and Construction**"). The City's undertaking of Engineering, Permitting and Construction are based on the usage specifications and expectations provided by Customer as described in Exhibit B. **Any changes in usage specifications and expectations will impact scheduling & overall project cost.**

C. The City understands that the wastewater service will be required no later than August 1, 2027 (the "**Service Date**"). The City agrees to take all reasonable efforts to complete the Wastewater Extension on or before the Service Date, but the Customer acknowledges that construction may be delayed by forces beyond the City's control and that the City is not responsible for such delays. In the event of such an uncontrollable delay, the Parties agree to work together in good faith to set a new Service Date.

D. The City anticipates a total cost for the Wastewater Extension as described in Exhibit C. If it becomes apparent that the City's costs and/or the completion date described on Exhibit C will be exceeded, the City shall immediately notify Customer of any change in the costs or Service Date supported by reasonable information and documentation provided by City and obtain approval from Customer of any such change.

III. Payment, Billing and Fees

A. During the Initial Term from and after the actual Service Date, in addition to charges for industrial wastewater service pursuant to the City's approved rates, terms, and conditions, Customer shall make CIAC payments to the City consistent with the amounts specified in Exhibit D. Failure to make payments to the City consistent with the amounts specified in Exhibit D shall be considered a breach of this Agreement by the Customer.

B. If the City is unable to complete the Wastewater Extension by the Service Date, then the Parties shall work together in good faith to negotiate a new Exhibit D to reflect the modified Service Date.

IV. Breach and Termination

A. Customer's failure to make one or more payment(s) pursuant to Paragraph III of this Agreement shall be considered a material breach of this Agreement. Upon such a breach, the City shall notify the Customer and allow at least thirty (30) calendar days for the Customer to cure the breach. The City may, at its discretion, extend the cure period.

B. If the Customer fails to cure the breach or otherwise terminates this Agreement, then the City may suspend or stop wastewater service from the Wastewater Extension pursuant to this Agreement until payment is made. Such a termination or uncured breach by Customer during either the Initial Term or a subsequent Annual Term Renewal shall also trigger a "Termination Payment," as described in Paragraph IV.C, below.

C. During the Initial Term or any subsequent Annual Renewal Term(s), upon (i) an uncured breach by the Customer that results in termination of this Agreement by the City or (ii) the termination of this Agreement by the Customer for any reason other than a material breach by the City, the Customer shall reimburse the City for its actual unpaid costs, including financing costs, associated with the Wastewater Extension *plus* any outstanding balance owed by the Customer to the City for industrial wastewater service. Upon receipt of notice of such uncured breach of this Agreement by the Customer or such termination of this Agreement by the Customer, the City shall take reasonable steps to minimize its actual costs associated with the Wastewater Extension. In such cases of (a) an uncured breach by the Customer that results in termination of this Agreement by the City or (b) the termination of this Agreement by the Customer during the Initial Term for any reason other than a material breach by the City, the City shall calculate (or, if precise calculation is impractical, reasonably estimate) its actual unpaid costs associated with the Wastewater Extension (net of CIAC payments already made by the Customer pursuant to Exhibit D) and invoice the Customer for that amount *plus* any outstanding balance owed by the Customer to the City for industrial wastewater service (together the "**Termination Payment**") within ninety (90) days, with payment due from the Customer within thirty (30) days.

D. The terms of this Paragraph IV shall survive termination of this Agreement.

V. Miscellaneous

A. Scope of Agreement - The Customer acknowledges that this Agreement is distinct from and independent of any agreement to provide Industrial Water & Wastewater Service, the rates, terms and conditions of which are set by the City of Danville and are available on the City's web site (listed above).

B. Assignment of Agreement - The Customer shall not assign this Agreement without the express written consent of the City. The City shall have the right to assign this Agreement to any entity, including an affiliated entity, that acquires or otherwise succeeds to the City's business.

C. Prior Agreement(s) - This Agreement and the Exhibits attached hereto embody the entire agreement between the parties hereto and supersede all prior agreements and understandings, if any, relating to the subject matter hereof and thereof.

D. Authorizations - This Agreement shall be binding upon the City only when accepted by its duly authorized agent and shall not be modified by any promise, agreement or representation of any agent or employee of the City unless incorporated in writing in this Agreement before such acceptance.

E. Warranty - The Customer warrants that it is a legal business entity duly organized and existing under the laws of the State of Delaware, and the individual executing this Agreement on behalf of the Customer has been duly authorized to execute this Agreement on the Customer's behalf.

F. Severability - In the event any provision, or any part or portion of any provision, of this Agreement shall be declared by a court of competent jurisdiction to be unlawful, invalid, void or otherwise unenforceable, the remainder of this Agreement shall be severable and remain enforceable. Only the provision (or part or provision thereof) so declared shall be considered unlawful, invalid, or otherwise unenforceable. This Agreement may be executed in counterparts.

G. Governing Law - This Agreement shall be governed by and constructed in accordance with the laws of the Commonwealth of Virginia, without regard to conflict of laws provisions.

H. Venue and Jurisdiction. For all litigation, disputes and controversies which may arise out of or in connection with this Agreement, the undersigned irrevocably and unconditionally consent and agree to the venue and exclusive jurisdiction of the State of Virginia Courts located in the City of Danville, Virginia, or the United States Federal Court located in the Lynchburg, Virginia.

I. Duly Authorized. By their execution of this Agreement, the Parties certify that this Agreement has been duly authorized and executed.

[Remainder of page intentionally blank; signatures follow on next page.]

IN WITNESS HEREOF, the Parties hereby cause this Agreement to be signed as of the first month, day, and year written above.

MICROPOROUS, LLC

By: _____

Name: _____

Title: _____

Customer Federal Tax ID: _____

CITY OF DANVILLE, VIRGINIA

By: _____

Name: Ken Larking

Title: City Manager

Exhibit A: Map of Wastewater Extension

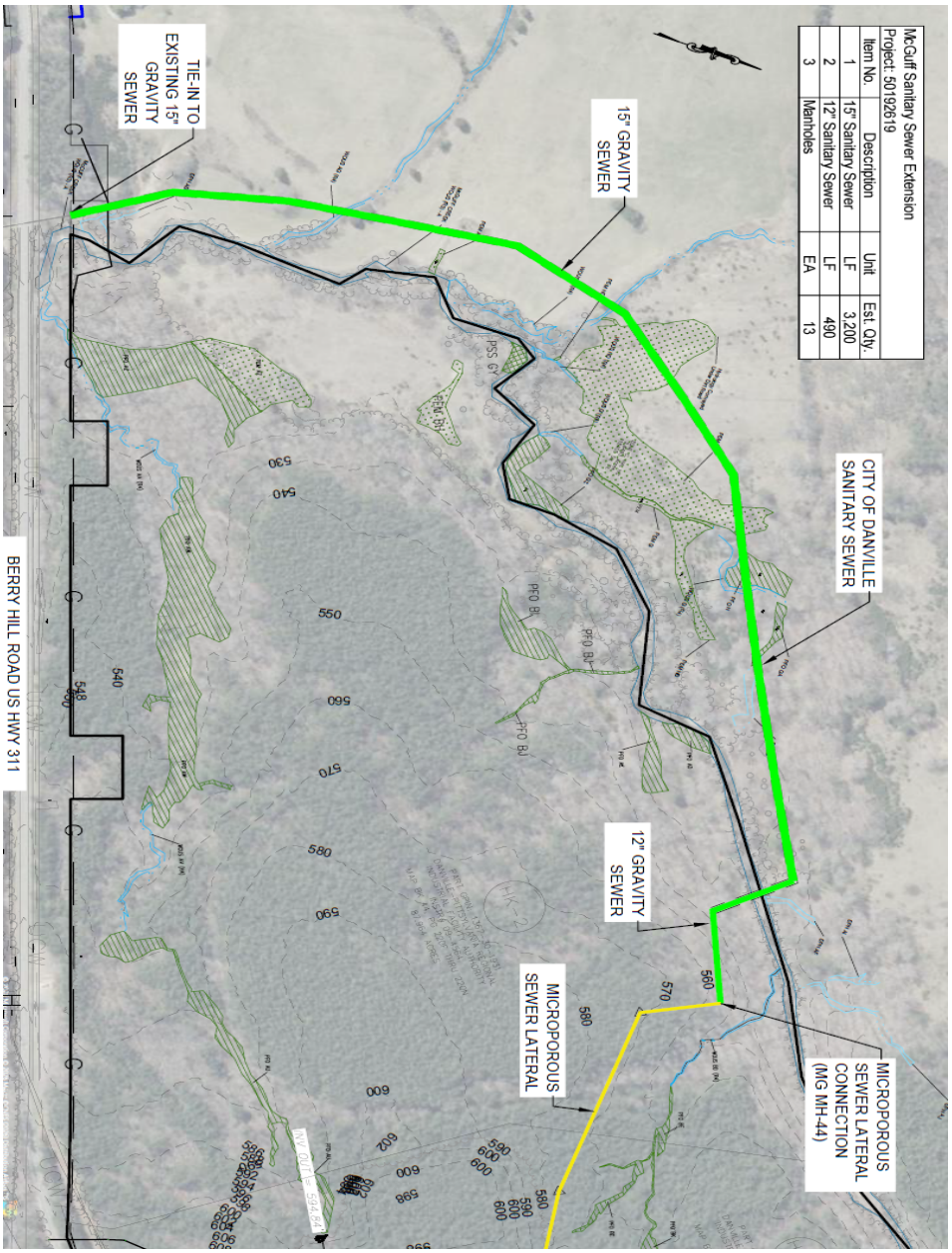


Exhibit B: Customer's Usage Requirements

	2025	2026	2027	2028	2029	2030	2031	2032
UTILITIES: **water/sewer** Million Gallons (MGal / annual)	1.00	5.50	27.50	49.50	71.50	82.50	98.00	108.00

Exhibit C: Estimated Wastewater Extension Cost

Estimated by outside City engineering consultants-$2,500,000 (P&I)

Exhibit D: Schedule of Payments

Charges after Execution Date but before Service Date (Execution Date – July 31, 2027):

No charges shall be required from Customer but, in the event of termination, Customer shall be subject a "Termination Payment" pursuant to Paragraph IV of the Agreement.

Charges during Initial Term on or after Service Date (August 1, 2027 – July 31, 2030):

Customer shall be responsible for two separate payments:

(i) contribution in aid of construction ("CIAC") payments in the amount of eighty-five thousand dollars ($85,000) per month *plus*
(ii) charges for industrial wastewater service set by the City's standard rates, terms, and conditions for industrial customers taking service at the Berry Hill Industrial Megasite (which includes the Customer Facility).

Charges during subsequent Annual Renewal Terms (on or after August 1, 2030):

Customer shall be responsible for charges for industrial wastewater service set by the City's standard rates, terms, and conditions for industrial customers taking service at the Berry Hill industrial Megasite (which includes the Customer Facility).

Council Letter
City of Danville, Virginia

CL - 2691 **NEW BUSINESS I.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Resolution to Issue Utility Revenue Bonds to Utilize Funding Available through the Virginia Water Supply Revolving Fund.

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

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COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia Providing for the Issuance and Sale by the City of Danville, Virginia, of a Taxable Utility System Revenue Bond in a Principal Amount not to Exceed $1,596,380, Heretofore Authorized, and Providing for the Form, Details, and Payment of Such Bond.

SUMMARY

The Virginia Department of Health has authorized the City of Danville to receive a total of $12,201,000 through the Virginia Water Supply Revolving Fund towards its Water Main Replacement and Lead Service Line Replacement projects. This funding is treated as a low-interest revenue bond; however, there is principal forgiveness of $5,524,620, which will result in a net amount owed of $6,676,380. City Council must take separate action on each of the two projects. The attached resolution is for the Water Main Reconstruction project. This project will receive $4,201,000 of funding with principal forgiveness of $2,604,620 and low-interest revenue bonds of $1,596,380.

BACKGROUND

In the Fiscal Year 2026 Capital and Special Projects Budget, City Council approved the Water Line Reconstruction Project and the Lead Service Line Replacement Project with the intention of using the financing program offered through the Virginia Water Supply Revolving Fund through the Virginia Department of Health.

The Water Line Reconstruction Project will allow for planned, non-emergency, and systematic replacement of water mains, resulting in improvements to water quality, fire protective services, and system reliability. The City has 331 miles of water mains in its system. More than 144 miles are cast iron and another 8.6 miles are galvanized steel. More than 34 miles of the cast iron are 80 years old, or older.

The Lead Service Line Replacement Project is a result of the 2021 Bipartisan Infrastructure Law that was passed by the federal government. All water utilities had to complete a lead service line inventory by October 2024. This project provides funding to replace the lead and galvanized lines located on both the City side and customer side of the water meter. This funding will be available to homeowners who need financial assistance to replace their private lead or galvanized service lines.

This program, through the Virginia Water Supply Revolving Fund, allows the City to access over $12

million of funding for these needs, while only having to repay about 55%. The amount owed is treated as a low-interest revenue bond and will be repaid over future years with revenues generated from water operations.

RECOMMENDATION

Staff recommends approval of this Resolution, allowing the City of Danville to utilize funding available through the Virginia Water Supply Revolving Fund for the Water Line Reconstruction Project.

Attachments

1. Resolution
2. Fourth Supplemental Trust Agreement
3. Drinking Water Financing Agreement
4. Drinking Water Funding Agreement

PRESENTED : _____

ADOPTED : _____

RESOLUTION 2026- ____ . ____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA PROVIDING FOR THE ISSUANCE AND SALE BY THE CITY OF DANVILLE, VIRGINIA OF A TAXABLE UTILITY SYSTEM REVENUE BOND IN A PRINICPAL AMOUNT NOT TO EXCEED $1,596,380, 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"), has established 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, on May 5, 2026, the Council adopted an ordinance (the "Ordinance"), authorizing the issuance of utility system revenue bonds of the City in the maximum aggregate principal amount of Six Million Seven Hundred Thousand Dollars ($6,700,000) to finance capital improvement projects for the City's water, sewer, electric and gas utility systems, including but not limited to (1) a lead service line identification and replacement project, together with related expenses, and (2) a water main replacement project, together with related expenses, and to pay related costs of issuance; none of which bonds has heretofore been issued; and

WHEREAS**,** the Council desires to issue a single utility system revenue bond in a principal amount not to exceed One Million Five Hundred Ninety-six Thousand Three Hundred Eighty Dollars ($1,596,380) (the "Bond") to finance the portion of the projects described above related to a water main replacement, together with related expenses (the "Project"), and to pay the related costs of issuance; and

WHEREAS, the City has applied to the Virginia Department of Health for a loan to finance the Project, and the Virginia Resources Authority ("VRA"), as Administrator of the Virginia Water Supply Revolving Fund (the "Fund"), has agreed to purchase the Bond (as defined below) pursuant to the terms of a Commitment Letter dated August 29, 2025, as amended, and in accordance with the terms of the Financing Agreement (as defined below); and

WHEREAS**,** the Virginia Department of Health has also determined to provide the City with a principal forgiveness loan in the estimated amount of Two Million Six Hundred Four Thousand Six Hundred Twenty Dollars ($2,604,620) in accordance with the terms of a Funding Agreement (as defined below); and

WHEREAS, there have been made available to the Council at this meeting current drafts of the following documents proposed to be used in connection with the issuance and sale of the Bond:

(a) A Supplemental Agreement of Trust (the "Supplemental Agreement"), to be dated as of a date specified by the City Manager, between the City and U.S. Bank Trust Company, National Association (the "Trustee"), which supplements an Agreement of Trust dated as of March 31, 2023, between the City and the Trustee, as previously supplemented (together with the Supplemental Agreement, the "Trust Agreement");

(b) Financing Agreement between VRA, as Administrator of the Fund, and the City (the "Financing Agreement"); and

(c) Funding Agreement between VRA, as Administrator of the Fund, and the

City (the “Funding Agreement”).

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

1. Issuance and Sale of Bond**.** 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 authorization of the Ordinance, the Council provides for the issuance and sale of the Bond in a principal amount not to exceed On Million Five Hundred Ninety-six Thousand Three Hundred Eighty Dollars ($1,596,380) to finance the Project and to pay the related costs of issuance. The Bond shall be delivered to or upon the order of VRA subject to the terms and conditions set forth in the Financing Agreement and the Trust Agreement.

2. Authorization of Supplemental Agreement**.** The Mayor and the City Manager (which term shall include the Deputy City Manager for purposes of this Resolution), either of whom may act, are authorized and directed to execute the Supplemental Agreement and deliver such document to the Trustee. The Supplemental Agreement shall be in substantially the same form as made available at this meeting, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Mayor or the City Manager, either of whom may act, whose approval shall be evidenced conclusively by the execution and delivery thereof.

3. Authorization of Financing Agreement and Funding Agreement**.** The forms of the Financing Agreement and the Funding Agreement made available at this meeting are hereby approved. The City Manager is authorized to execute and deliver the Financing Agreement and the Funding Agreement in substantially such forms, 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**.** The Bond shall be issued as a single, registered bond, shall be designated "Taxable Utility System Revenue Bond, Series 2026C," or such other series designation as the City Manager (which term may include any Deputy City Manager) may choose. The Bond shall be dated the date of its delivery to VRA, shall be numbered RC-1 and shall mature no later than December 31, 2050. The Cost of Funds (as interest is defined in the Financing Agreement) on the Bond shall be computed on the disbursed principal balance thereof from the date of each disbursement at a rate not to exceed 4.00% per year (including the part thereof that VRA has determined to allocate to an administrative fee), calculated on the basis of a 360-day year of twelve 30-day months. The Bond shall provide for VRA to make principal advances from time to time in an aggregate amount not to exceed One Million Five Hundred Ninety-six Thousand Three Hundred Eighty Dollars ($1,596,380) and to note such advances on the Bond as moneys are advanced by VRA thereunder. An authorized representative of VRA shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances on the Bond when the proceeds of each such advance are delivered to the City. The Bond shall be payable in principal installments in such amounts and on such dates as shall be determined by the City Manager to be in the best interests of the City and in accordance with the Financing Agreement. If principal disbursements up to the maximum authorized amount of the Bond are not made, the principal amount due on the

Bond shall not include such undisbursed amount. However, unless the City and VRA agree otherwise in writing, until all amounts due under the Bond and the Financing Agreement shall have been paid in full, less than full disbursement of the maximum authorized amount of the Bond shall neither postpone the due date of any semi-annual installment due on the Bond nor change the amount of such installment. In addition, the City shall pay a late payment charge as provided in the Financing Agreement if any payment is not received within 10 days of its due date. Principal and Cost of Funds shall be payable in lawful money of the United States of America by (a) check or draft mailed to the registered owner at its address as it appears on the registration books kept for that purpose by the Registrar (as hereinafter defined) or (b) wire transfer pursuant to the most recent wire instructions received by the Registrar from such registered owner.

The actions of the City Manager in determining the final terms of the Bond shall be conclusive, and no further action shall be necessary on the part of the Council.

5. Payment and Redemption Provisions. The principal of the Bond shall be payable as set forth in the Bond and the Financing Agreement. The City may prepay or refund the Bond upon the terms set forth in the Financing Agreement.

6. Execution and Authentication. The Bond shall be issued initially as a typewritten bond in substantially the form attached as Exhibit A to the Supplemental Agreement, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Mayor or Vice Mayor, whose approval shall be evidenced conclusively by the execution and delivery of the Bond. The Mayor (or Vice Mayor), the City Treasurer and the City Clerk are hereby authorized and directed to prepare and execute the Bond pursuant to the Trust Agreement, to deliver it to the

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

7. Pledge of Security. The Bond shall be a limited obligation of the City, payable solely from the Revenues (as defined in the Trust Agreement) and the funds created by the Trust Agreement, subject only to the right of the City to make application thereof to the purposes as provided in the Trust Agreement, including the payment of Operating Expenses (as defined in the Trust Agreement), and shall be equally and ratably secured on a parity as to such pledge of Revenues with any outstanding indebtedness secured thereby as set forth in the Trust Agreement. Nothing in the Bond, the Financing Agreement or the Trust Agreement shall be deemed to create or constitute an indebtedness or pledge of the full faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the City.

8. 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 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 they may consider reasonably necessary or desirable in connection with the issuance, sale and delivery of the Bond pursuant to this Resolution, the Trust Agreement and the Financing Agreement.

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

10. Effective Date. This Resolution shall take effect immediately upon adoption.

Approved:

_____
Mayor

Attest:

_____
City Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

[FOURTH] SUPPLEMENTAL AGREEMENT OF TRUST

between

CITY OF DANVILLE, VIRGINIA

and

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

Dated as of [_____ __], 2026

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THIS [FOURTH] SUPPLEMENTAL AGREEMENT OF TRUST dated as of [_____ __], 2026 (the "[Fourth] Supplemental Agreement"), by and between the **CITY OF DANVILLE, VIRGINIA**, a municipal corporation of the Commonwealth of Virginia (the "City"), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association, 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 March 31, 2023 (as previously supplemented, 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, the City has previously issued its $6,480,000 Taxable Utility System Revenue Bond, Series 2023 (the "Series 2023 Bond"), its $11,420,000 Taxable Utility System Revenue Bond, Series 2024 (the "Series 2024 Bond"), and its $_____ Taxable Utility System Revenue Bond, Series 2026[A], pursuant to the Master Trust Agreement;

WHEREAS, the City is not in default under the Master Trust Agreement or in the payment of the principal of or interest on the Series 2023 Bond, the Series 2024 Bond or the Series 2026[A] Bond;

WHEREAS, pursuant to and in accordance with the Master Trust Agreement, the City has determined to issue, on parity with the Series 2023 Bond, the Series 2024 Bond, and the Series 2026[A] Bond, its Taxable Utility System Revenue Bond, Series 2026B, in the aggregate principal amount not to exceed $_____ (the "Series 2026[B][C] Bond"), to finance capital improvement projects for the City's water, sewer, electric and gas utility systems, including but not limited to _____ (collectively, the "Series 2026[B][C] Project") and to pay related costs of issuance;

WHEREAS, the City has taken all necessary action to make the Series 2026[B][C] Bond, when authenticated by the Trustee and issued by the City, a valid and binding limited obligation of the City and to constitute this [Fourth] Supplemental Agreement a valid and binding agreement authorizing and providing for the details of the Series 2026[B][C] Bond;

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

ARTICLE I

[FOURTH] SUPPLEMENTAL AGREEMENT

Section 4.101 Authorization of [Fourth] Supplemental Agreement. This [Fourth] 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 2026[B][C] Bond and to the holder thereof, except as otherwise provided in this [Fourth] Supplemental Agreement.

Section 4.102 Definitions. Except as otherwise defined in this [Fourth] Supplemental Agreement, terms defined in the Master Trust Agreement are used in this [Fourth] Supplemental Agreement with the same meanings assigned to them in the Master Trust Agreement. In addition, the following words as used in this [Fourth] Supplemental Agreement shall have the following meanings unless a different meaning clearly appears from the context:

"Cost of Funds" shall have the meaning given to it in the Financing Agreement.

"Financing Agreement" shall mean the Financing Agreement dated as of _____, 2026, between the City and VRA, as supplemented or amended from time to time.

"[Fourth] Supplemental Agreement" shall mean this [Fourth] 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 2026 Financing Agreement.

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

"Series 2026[B][C] Bond" shall mean the City's $_____ Taxable Utility System Revenue Bond, Series 2026B, authorized to be issued pursuant to this [Fourth] Supplemental Agreement in the aggregate principal amount of $_____ or such lesser amount loaned by VRA under the Financing Agreement.

"Series 2026[B][C] Project" shall have the meaning set forth in the recitals hereto.

["Tax Compliance Agreement" shall mean the Nonarbitrage Certificate and Tax Compliance Agreement dated the date of issuance of the Series 2026[B] Bond, between the City and VRA.]

"VRA" shall mean the Virginia Resources Authority, a public body corporate and political subdivision of the Commonwealth of Virginia, acting in its capacity as administrator of its Virginia Water Facilities Revolving Fund.

Section 4.103 Reference to Articles and Sections. Unless otherwise indicated, all references herein to particular articles or sections are references to articles or sections of this [Fourth] Supplemental Agreement.

ARTICLE II

AUTHORIZATION, DETAILS AND FORM OF SERIES 2026[B][C] BOND

Section 4.201 Authorization of Series 2026[B][C] Bond. There is hereby authorized to be issued a utility system revenue bond of the City consisting of a single bond in the aggregate principal amount of $_____ or such lesser amount loaned to the City by VRA under the Financing Agreement to finance the Series 2026[B][C] Project. The Series 2026[B][C] Bond shall be issued pursuant to the Master Agreement of Trust, this [Fourth] Supplemental Agreement and the Financing Agreement.

Section 4.202 Details of Series 2026[B][C] Bond.

(a) The Series 2026[B][C] Bond shall be dated the date of issuance, shall be issuable only as a fully registered single typewritten bond, shall be in a denomination of $_____ or such lesser amount loaned to the City by VRA under the Financing Agreement, shall be numbered R-1 and shall bear Cost of Funds at an annual rate of ___%. The Cost of Funds only on all amounts disbursed under the Series 2026[B][C] Bond shall be due and payable on _____. Commencing _____, ____, and continuing semi-annually thereafter on _____ and _____ in each year, principal and Cost of Funds due under the Series 2026[B][C] Bond shall be payable in equal installments of $_____ with a final installment of $_____ due and payable on _____, ____, when, if not sooner paid, all amounts due under the Series 2026[B][C] Bond shall be due and payable in full. Each installment shall be applied first to payment of the Cost of Funds accrued and unpaid to the payment date and then to principal. If the amount loaned under the Financing Agreement is less than $_____, the payments shall be adjusted as set forth in Article VI of the Financing Agreement, with notice to the Trustee.

(b) The City agrees to make any Additional Payments as defined in Section 6.2 of the Financing Agreement, upon demand of VRA.

(c) If any installment of principal of or Cost of Funds on the Series 2026[B][C] Bond or Additional Payments is not paid within ten (10) days after its due date, the City agrees to pay the registered owner on demand a late payment charge in an amount equal to five percent (5.00%) of the overdue installment.

(d) Installment payments on the Series 2026[B][C] Bond shall be payable by check or draft mailed to the registered owner at its address as it appears on the 15th day of the month preceding the payment date on the registration books kept by the Trustee; provided, however, at the written request and expense of a registered owner of at least $100,000 of the Series 2026[B][C] Bond, payment shall be made by wire transfer pursuant to the wire instructions received by the Trustee from such registered owner. Notwithstanding the foregoing, as long as VRA is the registered owner of the Series 2026[B][C] Bond, payments of principal and Cost of Funds may be paid to such owner by wire transfer or federal funds check or other immediately available funds acceptable to the Trustee. Principal and Cost of Funds shall be payable in lawful money of the United States of America.

Section 4.203 Payment Provisions of Series 2026[B][C] Bond; Appointment of Registrar.

(a) The Series 2026[B][C] Bond shall be payable solely from Revenues, and nothing in the Financing Agreement, the Series 2026[B][C] Bond or this [Fourth] 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.

(b) The Trustee is hereby appointed Registrar for the Series 2026[B][C] Bond. Except as otherwise provided herein, the Series 2026[B][C] Bond shall be payable, executed,

authenticated, registrable, exchangeable and secured, all as set forth in the Master Trust Agreement.

Section 4.204 Form of Series 2026[B][C] Bond. The Series 2026[B][C] 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 [Fourth] Supplemental Agreement. The terms and provisions of the Series 2026[B][C] Bond that are set forth in Exhibit A shall be deemed to be incorporated into this [Fourth] Supplemental Agreement as though fully set forth herein.

Section 4.205 Delivery of Series 2026[B][C] Bond. The Trustee shall authenticate and deliver the Series 2026[B][C] 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 2026[B][C] BOND

Section 4.301 Prepayment of Series 2026[B][C] Bond. The Series 2026[B][C] Bond shall be subject to prepayment prior to maturity in accordance with the provisions set forth in [Section 7.1] of the Financing Agreement. The notice provisions set forth in Section 402 of the Master Trust Agreement shall not apply to the Series 2026[B][C] Bond.

ARTICLE IV

APPLICATION OF PROCEEDS OF SERIES 2026[B][C] BOND

Section 4.401 Application of Proceeds of Series 2026[B][C] Bond.

(a) [The proceeds of the initial principal advance under the Series 2026[B][C] Bond in the amount of $_____ shall be paid directly to the City and applied to pay the Cost of the Series 2026[B][C] Project.]

(b) The proceeds of all future principal advances under the Series 2026[B][C] Bond shall be requisitioned as and when needed from VRA in accordance with requisitions meeting the requirements of Section 4.1 of the Financing Agreement, without regard to the provisions of Article V of the Master Trust Agreement,. Such proceeds shall be used to pay the costs of the Series 2026[B][C] Project and costs incurred in issuing the Series 2026[B][C] Bond. Such proceeds, as and when requisitioned, may be paid directly to the City, and no deposit shall be required to the Construction Fund established under Section 501 of the Master Trust Agreement. The Trustee hereunder shall be provided copies of any monthly reports and other statements provided to the City by VRA with respect to all principal advances made under the Series 2026[B][C] Bond.

ARTICLE V

SECURITY FOR SERIES 2026[B][C] BOND

Section 4.501 Security for Series 2026[B][C] Bond.

(a) The Series 2026[B][C] Bond shall be issued pursuant to the Master Trust Agreement and this [Fourth] Supplemental Agreement and shall be equally and ratably secured under the Master Trust Agreement with the Series 2023 Bond, the Series 2024 Bond, the Series 2026[A] Bond, and any additional Bonds or other Senior Debt 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 2026[B][C] Bond, and no debt service reserve fund or account has been established or funded in connection with the issuance of the Series 2026[B][C] Bond.

ARTICLE VI

MISCELLANEOUS

Section 4.601 [Limitations on Use of Proceeds. The City covenants with the holder of the Series 2026[B] Bond to use the proceeds of the Series 2026[B] Bond in accordance with the provisions of the Financing Agreement and the Tax Compliance Agreement.]

Section 4.602 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this [Fourth] Supplemental Agreement or the Series 2026[B][C] Bond is intended or shall be construed to give to any person other than the parties hereto and the holder of Series 2026[B][C] Bond any legal or equitable right, remedy or claim under or in respect to this [Fourth] Supplemental Agreement or any covenants, conditions and agreements herein contained since this [Fourth] 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 2026[B][C] Bond as herein provided.

Section 4.603 [Incorporation by Reference of Financing Agreement. For so long as the Series 2026[B][C] Bond shall be deemed Outstanding, the provisions and covenants of the Financing Agreement shall be incorporated by reference in this [Fourth] Supplemental Agreement and shall be treated as if set forth herein.]

Section 4.604 Requirements Particular to VRA. [For so long as the Series 2026[B][C] Bond shall be deemed Outstanding, any notices required under the terms of the Master Trust Agreement or this [Fourth] Supplemental Agreement to be provided by the City to the Trustee shall also be provided to VRA as holder of the Series 2026[B][C] Bond.]

Section 4.605 Severability. If any provision of this [Fourth] Supplemental Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any

other provision hereof and this [Fourth] Supplemental Agreement shall be construed and enforced as if such illegal provision had not been contained herein.

Section 4.606 Successors and Assigns. This [Fourth] Supplemental Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 4.607 Applicable Law. This [Fourth] Supplemental Agreement shall be governed by the applicable laws of the Commonwealth.

Section 4.608 Counterparts. This [Fourth] 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.

Section 4.609 U.S.A. Patriot Act and Freedom Act Requirements of the 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.

[THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY]

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

CITY OF DANVILLE, VIRGINIA

By:_____
Kenneth F. Larking
City Manager

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

By:_____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2026[B][C] BOND

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

R-1 **[____ __], 2026**

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF DANVILLE, VIRGINIA

TAXABLE UTILITY SYSTEM REVENUE BOND, SERIES 2026B

REGISTERED OWNER: VIRGINIA RESOURCES AUTHORITY, as administrator of the Virginia Water Facilities Revolving Fund

The **City of Danville, Virginia** (the "City"), a municipal corporation of the Commonwealth of Virginia (the "Commonwealth"), for value received, acknowledges itself in debt and promises to pay to Virginia Resources Authority, as administrator of the Virginia Water Facilities Revolving Fund 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 equal to the sum of the principal advances shown on the Certificate of Principal Advances below, but not to exceed _____ DOLLARS ($_____) and the Cost of Funds (as defined in the Financing Agreement) on the unpaid principal from the date of each advance made and noted on the Certificate of Principal Advances.

The Cost of Funds of this bond shall be computed on the disbursed principal balance hereof from the date of each disbursement at the rate of ___% per year (including the part hereof allocable to the annual administrative fee), calculated on the basis of a 360-day year of twelve 30-day months. The Cost of Funds only is due on _____, ____. Installments of combined principal and Cost of Funds of $_____ shall be payable beginning on _____, ____, and continuing on each _____ and _____ thereafter, with a final installment of $_____ due on _____, ____, each installment to be applied first to payment of the Cost of Funds accrued to such payment date and then to principal. If principal disbursements up to $_____ are not made, the principal amount due on this bond shall not include such undisbursed amount. If not sooner paid, all amounts due under this bond shall be due and payable on _____, ____.

No notation is required to be made on this bond of any payment or prepayment of principal. THEREFORE, THE FACE AMOUNT OF THIS BOND MAY EXCEED THE PRINCIPAL SUM REMAINING OUTSTANDING AND DUE HEREUNDER.

Installments are payable by check or draft mailed to the registered owner hereof at its address as it appears on the 15th day of the month preceding the payment date on the registration

books kept by the Trustee provided that, at the written request and expense of the owner of at least $100,000 principal amount of this bond (which request may provide that it will remain in effect with respect to subsequent payment dates unless and until changed or revoked at any time prior to a payment date by subsequent notice to the Trustee), payment shall be made by wire transfer pursuant to the wire instructions received by the Trustee from such registered owners. Notwithstanding the foregoing, as long as VRA is the registered beneficial owner of this bond, payments of principal and Cost of Funds may be paid to such owner by wire transfer or federal funds check or other immediately available funds. Principal and Cost of Funds shall be payable in lawful money of the United States of America.

If any installment of principal or Cost of Funds on this bond is not paid to the registered owner hereof within ten days after its due date, the City shall pay to the registered owner of this bond a late payment charge in an amount equal to five percent (5%) of the overdue installment.

This bond (a) has been authorized by an ordinance adopted by the Council of the City on _____, 2026, 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 _____, 2026, and (iii) an Agreement of Trust dated as of March 31, 2023, between the City and the Trustee, as previously supplemented and as further supplemented by a [Fourth] Supplemental Agreement of Trust dated as of _____, 2026 (collectively, the "Trust Agreement"). This bond is also issued in accordance with the terms of a Financing Agreement dated as of _____, 2026 (the "Financing Agreement"), between the City and VRA, which provides for funds to be advanced thereunder by VRA and loaned to the City.

This bond is secured equally and ratably on a parity with the City's outstanding Taxable Utility System Revenue Bond, Series 2023 (the "Series 2023 Bond"), its Taxable Utility System Revenue Bond, Series 2024 (the "Series 2024 Bond"), and its Taxable Utility System Revenue Bond, Series 2026[A].. Additional bonds secured by a pledge of Revenues (as defined in the Trust Agreement) on a parity with this bond, the Series 2023 Bond, the Series 2024 Bond and the Series 2026[A] Bond may be issued under the terms and conditions set forth in the Trust 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 finance capital improvement projects for the City's water, sewer, electric and gas utility systems, including but not limited to _____

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 Cost of Funds 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 Cost of Funds on this bond or other costs incident thereto.

[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 Cost of Funds 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 Cost of Funds 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 Cost of Funds 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 by 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 2026[B][C] 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.

CERTIFICATE OF PRINCIPAL ADVANCES

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

Amount	Date	Authorized Signature

K&C Draft 6/20/25

FINANCING AGREEMENT

dated as of _____ 1, 2025

BETWEEN

VIRGINIA RESOURCES AUTHORITY,

as Administrator of the
Virginia Water Supply Revolving Fund

AND

CITY OF DANVILLE, VIRGINIA

Virginia Resources Authority
Virginia Water Supply Revolving Fund

CFDA No. 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
Federal Award No. FS-[9935832[4]]
U.S. Environmental Protection Agency

Loan No. WSL-014-25E

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FINANCING AGREEMENT

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

Pursuant to Chapter 23, Title 62.1 of the Code of Virginia (1950), as amended (the "Act"), the General Assembly created a permanent and perpetual fund known as the "Virginia Water Supply Revolving Fund" (the "Fund"). In conjunction with the Virginia Board of Health, the Authority administers and manages the Fund. From the Fund, the Authority from time to time makes loans to and acquires obligations of local governments in Virginia to finance or refinance the costs of water supply facilities within the meaning of Section 62.1-233 of the Act.

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

ARTICLE I
DEFINITIONS

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

"Additional Payments" means the payments required by Section 6.2.

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

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

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

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

"Board" means the Virginia Board of Health.

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

"Commitment Letter" means, collectively, the commitment letters from the Authority to the Borrower, dated _____, 2025, and all extensions and amendments thereto.

"Consulting Engineer" shall have the meaning given such term in the Trust Agreement.

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

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

"Department" means the Virginia Department of Health.

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

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

"Fiscal Year" shall have the meaning given such term in the Trust Agreement.

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

"Local Bond" means the bond in substantially the form provided for in the Supplemental Trust Agreement, and attached to this Financing Agreement as Exhibit A, issued by the Borrower under the Supplemental Trust Agreement and purchased by the Authority, as Administrator of the Fund, pursuant to this Agreement.

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

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

"Local Trustee" means U.S. Bank Trust Company, National Association, Richmond, Virginia, as trustee under the Trust Agreement, or its successors serving in such capacity.

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

"Operating Expenses" shall have the meaning given such term in the Trust Agreement.

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

"Parity Bonds" means bonds, notes or other evidences of indebtedness of the Borrower secured by a pledge of Revenues expressly made on parity with the pledge of Revenues to secure the payment of the Local Bond

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

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

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

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

"Qualified Independent Consultant" shall have the meaning given such term in the Trust Agreement, subject to the reasonable approval of the Authority.

"Revenues" shall have the meaning given such term in the Trust Agreement.

"Service Agreements" means, collectively, [the service agreement between the Borrower and the Pittsylvania County Service Authority, the service agreement between the Borrower and Caswell County, North Carolina, and the service agreement between the Borrower and the City of Eden, North Carolina].

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

"Supplemental Trust Agreement" means that _____ Supplemental Trust Agreement dated as of _____ 1, 2025, between the Borrower and the Local Trustee, pursuant to and under which the Borrower is issuing the Local Bond to finance the Project.

"System" shall have the meaning set forth in the Trust Agreement.

"Trust Agreement" means the Agreement of Trust dated as of March 31, 2023, between the Borrower and the Local Trustee, as amended and supplemented in accordance with its terms.

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

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

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

(c) The headings and table of contents as used in this Agreement are solely for convenience of reference and shall neither constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

(d) References in this Agreement to sections and subsections in the Trust Agreement shall be read to include the defined terms used in such sections and subsections.

ARTICLE II
REPRESENTATIONS

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

(a) The Borrower is a duly created and validly existing "local government" (as defined in Section 62.1-233 of the Act) of the Commonwealth of Virginia and is vested with the rights and powers conferred upon it by Virginia law.

(b) The Borrower has full right, power and authority to (i) adopt the Local Resolution and execute and deliver this Agreement, the Supplemental Trust Agreement, and the other documents related thereto, (ii) issue, sell and deliver the Local Bond to the Authority, as Administrator of the Fund, (iii) own and operate the System, (iv) fix, charge and collect charges for the use of and for the services furnished by the System, (v) construct, acquire or equip the Project (as described in Exhibit B) and finance or refinance the Project Costs by borrowing money for such purpose pursuant to this Agreement and the issuance of the Local Bond, (vi) pledge the Revenues of the System to the payment of the Local Bond, and (vii) carry out and

consummate all of the transactions contemplated by the Local Resolution, this Agreement, the Supplemental Trust Agreement and the Local Bond.

(c) This Agreement, the Supplemental Trust Agreement and the Local Bond were duly authorized by the Local Resolution and are in substantially the same form as presented to the governing body of the Borrower at its meeting at which the Local Resolution was adopted.

(d) All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date of the delivery of this Agreement have been obtained for (i) the Borrower's adoption of the Local Resolution, (ii) the execution and delivery by the Borrower of this Agreement, the Supplemental Trust Agreement and the Local Bond, (iii) the performance and enforcement of the obligations of the Borrower thereunder, (iv) the acquisition, construction, equipping, occupation, operation and use of the Project, and (v) the operation and use of the System and the performance by the Borrower of its obligations under the Trust Agreement. The Borrower knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations and approvals not obtained as of the date hereof cannot be obtained as needed.

(e) This Agreement and the Trust Agreement have been executed and delivered by duly authorized officials of the Borrower and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms.

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

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

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

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

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

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

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

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

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

(o) Each of the Service Agreements is in full force and effect; no default or event of default has occurred and is continuing under any of the Service Agreements; and the Borrower is not currently aware of any fact or circumstance that would have an adverse impact

on the Borrower's ability to set rates, to receive payments or to exercise any other rights and remedies available to the Borrower, under or pursuant to any of the Service Agreements.

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

ARTICLE III
ISSUANCE AND DELIVERY OF THE LOCAL BOND

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

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

(a) The Local Bond, the Funding Agreement, and the Supplemental Trust Agreement.

(b) A certified copy of the Local Resolution.

(c) A certificate of appropriate officials of the Borrower as to the matters set forth in Section 2.1 and such other matters as the Authority may reasonably require.

(d) A closing certificate from the Department certifying that the Project is in compliance with all federal and state laws and project requirements applicable to the Fund and evidencing the Board's concurrence in the closing of the loan with the Borrower.

(e) A certificate of the Consulting Engineer estimating the total Project Costs to be financed with the Local Bond Proceeds, which estimate is in an amount and otherwise compatible with the financing plan described in the Project Budget.

(f) A certificate of the Consulting Engineer to the effect that in the opinion of the Consulting Engineer (i) the Project will be a part of the System, and (ii) the Local Bond Proceeds and funds available from the other sources specified in the Project Budget will be sufficient to pay the estimated Project Costs.

(g) A certificate of the Consulting Engineer as to the date the Borrower is

expected to complete the acquisition, construction and equipping of the Project.

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

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

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

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

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

(m) Evidence satisfactory to the Authority that the Borrower is in compliance with the insurance provisions set forth in Sections 9.1 and 9.2 hereof.

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

(o) A copy of any and all documents, certificates or instruments required to be delivered to the Local Trustee pursuant to Article III of the Trust Agreement as a condition precedent to the issuance of the Local Bond, and such other evidence satisfactory to the Authority that the Local Bond will be issued as a "Bond" in accordance with the terms and conditions of the Trust Agreement.

(p) Evidence satisfactory to the Authority that each of the Service Agreements is in full force and effect and that each is a binding and enforceable agreement as to each of the Borrower and the other parties to each such agreement.

(q) Such other documentation, certificates and legal opinions as the Authority, the Department or the Board may reasonably require.

ARTICLE IV
USE OF LOCAL BOND PROCEEDS AND CONSTRUCTION OF PROJECT

Section 4.1. Application of Proceeds.

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

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

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

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

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

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

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

percent (95%) of the maximum authorized amount of the Local Bond to ensure satisfactory completion of the Project. Upon receipt from the Borrower of the certificate specified in Section 4.2 and a final requisition detailing all retainages to which the Borrower is then entitled, the Authority, to the extent approved by the Board and subject to the provisions of this Section and Section 4.2, will disburse to or for the account of the Borrower Local Bond Proceeds to the extent of such approval.

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

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

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

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

the funding thereof from the Fund, including, but not limited to, the federal "crosscutting" requirements identified in Schedule A of the Commitment Letter. Where noncompliance with such requirements is determined by the Authority or the Board, the issue shall be referred to the proper federal authority or agency for consultation or enforcement action.

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

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

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

ARTICLE V
PLEDGE, REVENUES AND RATES

Section 5.1. Pledge of Revenues; Rate Covenant. (a) As set forth in Section 615 of the Trust Agreement, all Revenues and all moneys in the funds established by the Trust Agreement and enumerated in Section 615 are trust funds and are pledged equally and ratably to the payment of the principal of and premium, if any, and interest on all Bonds, including the principal of and Cost of Funds on the Local Bond and the payment and performance of the Borrower's obligations under this Agreement, subject only to the right of the Borrower to make application thereof, or to direct the Local Trustee to make application thereof, to other purposes as provided in the Trust Agreement. The lien of this pledge is on a parity with the lien of the pledge securing the Existing Parity Bonds, and shall have priority over all other obligations and liabilities of the Borrower. The lien of this pledge shall be valid and binding against all parties having claims of any kind against the Borrower regardless of whether such parties have notice of this pledge.

(b) The Borrower covenants and agrees that it will fix, charge and collect rates, fees and other charges for the use of and for services furnished by the System and shall, from time to time and as often as shall appear necessary, revise such rates, fees and other charges so as to satisfy the rate covenant provisions set forth in Section 602 of the Trust Agreement, and shall otherwise comply with the provisions of Section 602 of the Trust Agreement.

(c) On or before the last day of each Fiscal Year, the Borrower shall review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the Borrower's rates, fees and other charges are insufficient to satisfy the rate covenant in Section 5.1(b) above, the Borrower shall promptly take appropriate action to increase its rates, fees and other charges or reduce its Operating Expenses to cure any deficiency.

Section 5.2. Annual Budget. The Borrower shall furnish, or cause the Local Trustee to furnish, to the Authority a copy of the Annual Budget (as described in Section 601 of the Trust Agreement) and any amendments or supplements thereto at the same time such information is filed with the Local Trustee, and shall otherwise comply with the provisions of Section 601 of the Trust Agreement.

Section 5.3. Qualified Independent Consultant's Report. (a) If at the end of any Fiscal Year, the Borrower is not in compliance with the rate covenant made by the Borrower in Section 5.1(b), within two hundred ten (210) days after the end of such Fiscal Year, the Borrower shall obtain a report from the Qualified Independent Consultant giving advice and making recommendations as to the proper maintenance, repair, replacement and operation of the System for the next ensuing Fiscal Year and estimating the costs thereof as to the rates, fees, and other charges which should be established by the Borrower to satisfy the rate covenant in Section 5.1(b). The Borrower shall promptly furnish a copy of such report to the Authority and, subject to Section 5.3(b), take measures to implement the recommendations of the Qualified Independent Consultant within ninety (90) days of obtaining such report.

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

ARTICLE VI
PAYMENTS

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

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

(ii) one and fifty one-hundredths percent (1.50%) per annum payable as an Annual Administrative Fee.

(b) The Cost of Funds only on all amounts disbursed under the Local Bond shall be due and payable on _____ 1, 20__. Commencing _____ 1, 20__ and continuing semi-annually thereafter on _____ 1 and _____ 1 in each year, principal and Cost of Funds due under the Local Bond shall be payable in equal installments of $_____ with a final installment of $_____ due and payable on _____ 1, 20__, when, if not sooner paid, all amounts due hereunder and under the Local Bond shall be due and payable in full. Each installment shall be applied first to payment of the Cost of Funds accrued and unpaid to the payment date and then to principal. If principal disbursements up to the maximum authorized amount of the Local Bond are not made, the principal amount due on the Local Bond shall not include such undisbursed amount. However, unless the Borrower and the Authority agree otherwise in writing, until all amounts due hereunder and under the Local Bond shall have been paid in full, less than full disbursement of the maximum authorized amount of the Local Bond shall not postpone the due date of any semi-annual installment due on the Local Bond, or change the amount of such installment. If any installment of principal of or Cost of Funds on the Local Bond is not paid within ten (10) days after its due date, the Borrower agrees to pay to the Authority a late payment charge in an amount equal to five percent (5.0%) of the overdue installment.

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

(1) The costs of the Fund, the Authority, the Department or the Board in connection with the enforcement of this Agreement, including the reasonable fees and expenses of any attorneys used by any of them; and

(2) All expenses incurred by the Fund or the Authority, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof.

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

ARTICLE VII
PREPAYMENTS

Section 7.1. Prepayment of Local Bond. Upon completion of the Project and after giving at least ten (10) days' written notice to the Authority, the Borrower may prepay the Local Bond at any time, in whole or in part and without penalty. Such written notice shall specify the date on which the Borrower will make such prepayment and whether the Local Bond will be prepaid in full or in part, and if in part, the principal amount to be prepaid. Any such partial prepayment shall be applied against the principal amount outstanding under the Local Bond but shall not postpone the due date of any subsequent payment on the Local Bond, or change the amount of such installment, unless the Borrower and the Authority agree otherwise in writing.

ARTICLE VIII
OPERATION AND USE OF SYSTEM

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

Section 8.2. Maintenance. At its own cost and expense, the Borrower shall operate the System in a proper, sound and economical manner and in compliance with all legal requirements, shall maintain the System in good repair and operating condition and from time to time shall make all necessary repairs, renewals and replacements, and shall otherwise comply with Section 805 of the Trust Agreement.

Section 8.3. Additions and Modifications. At its own expense, the Borrower from time to time may make any renewals, replacements, additions, modifications or improvements to the System which it deems desirable and which do not materially reduce the value of the System or the structural or operational integrity of any part of the System, provided that all such 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 8.4. Use of System. The Borrower shall comply with all lawful requirements of any governmental authority regarding the System, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational and other changes to the System, irrespective of the cost of making the same.

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

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

Section 8.7. Sale or Encumbrance. No part of the System shall be sold, exchanged, leased, mortgaged, encumbered or otherwise disposed of except as provided in Section 807 of the Trust Agreement.

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

Section 8.9. No Free Service. The Borrower shall not permit connections with or the use of the System, or furnish any services afforded by the System, without making a charge therefor based on the Borrower's uniform schedule of rates, fees and charges; provided, however, that the restrictions contained in this Section shall not apply to buildings or facilities that are owned or operated by the Borrower.

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

Section 8.11. Mandatory Connection. The Borrower shall, consistent with applicable law, require 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, the Borrower may permit the continued use of private systems, meeting the applicable standards of the Board, 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 by the Borrower.

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

ARTICLE IX
INSURANCE, DAMAGE AND DESTRUCTION

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

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

(b) Comprehensive general liability insurance with a combined single limit of $2,000,000 per year against liability for bodily injury, including death resulting therefrom, and

for damage to property, including loss of use thereof, arising out of the ownership, maintenance, operation or use of the System.

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

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

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

Section 9.2. Requirements of Policies. All insurance required by Section 9.1 shall be maintained with generally recognized, responsible insurance companies selected by the Borrower and reasonably acceptable to the Authority, and otherwise be in compliance with the requirements of Section 809 of the Trust Agreement. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other utility systems of like size and character to the System and shall contain an undertaking by the insurer that such policy shall not be modified adversely to the interests of, or canceled without at least thirty (30) days' prior notice to, the Authority. If any such insurance is not maintained with an insurer licensed to do business in Virginia or placed pursuant to the requirements of the Virginia Surplus Lines Insurance Law (Chapter 48, Title 38.2, Code of Virginia of 1950, as amended) or any successor provision of law, the Borrower shall provide evidence reasonably satisfactory to the Authority that such insurance is enforceable under Virginia law.

Section 9.3. Notice of Damage, Destruction and Condemnation. In the case of (i) any damage to or destruction of any material part of the System, (ii) a taking of all or any part of the System or any right therein under the exercise of the power of eminent domain, (iii) any loss of the System because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Borrower shall give prompt notice thereof to the Authority describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations, and shall comply with the terms and conditions set forth in Section 811 of the Trust Agreement.

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

sufficient to pay in full the cost of such restoration, the Borrower shall pay so much of the cost as may be in excess of such Net Proceeds. If the Net Proceeds are derived from property constituting part of the Project, any balance of such Net Proceeds remaining after payment of the cost of such restoration shall promptly be applied to prepayment of the Local Bond pursuant to Article VII.

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

ARTICLE X
SPECIAL COVENANTS

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

Section 10.2. Financial Records and Statements. The Borrower shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its business and affairs related to the System. The Borrower shall have an annual audit of the financial condition of the Borrower (and at the reasonable request of the Authority, of the System) made in accordance with the terms of Section 912 of the Trust Agreement. The annual audit shall include a supplemental schedule demonstrating whether the Borrower during such Fiscal Year satisfied the rate covenant made by the Borrower in Section 5.1(b). In the event the Borrower expends

$750,000 or more in federal funds in any fiscal year, the annual audit shall be conducted in accordance with the provisions of the Single Audit Act of 1984, 31 U.S.C. §§ 7501 et seq., as amended, and the regulations promulgated thereunder, including Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards located at Title 2 of the Code of Federal Regulations Part 200 Subpart F ("SAA Audit"). The Borrower shall furnish to the Authority and the Board copies of such report immediately after it is accepted by the Borrower, and in the event any SAA Audit contains financing and recommendations pertaining to the Fund, the Borrower shall promptly inform the Authority and the Board when corrective actions have been implemented pursuant to such findings and recommendations. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the Borrower's financial position as of the end of such Fiscal Year and the results of the Borrower's operations and changes in the financial position of its funds for the Fiscal Year. The Borrower agrees to file, or to cause the Local Trustee to file, with the Authority each of the documents required to be filed with the Local Trustee pursuant to the Trust Agreement at the time each such document is required to be filed with the Local Trustee.

Section 10.3. Certificate as to No Default. The Borrower shall deliver to the Authority, within one hundred and eighty (180) days after the close of each Fiscal Year, a certificate signed by an Authorized Representative stating that, during such year and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes an Event of Default or a Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action the Borrower has taken, is taking or proposes to take to rectify it.

Section 10.4. Additional Indebtedness; Notice to Authority. The Borrower shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by or payable from a pledge of Revenues except in accordance with the terms and conditions of the Trust Agreement. The Borrower agrees to notify the Authority before the issuance of any Bonds as defined in the Trust Agreement.

Section 10.5. Reserved.

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

Section 10.7. Other Indebtedness. The Borrower agrees to pay when due all amounts required by any Subordinate Bonds, Parity Bonds, Existing Parity Bonds and Prior Bonds and to perform all of its obligations in connection therewith.

Section 10.8. Assignment by Borrower. The Borrower may not assign its rights under this Agreement without the prior written consent of the Authority, the Board and the Local Trustee. If the Borrower desires to assign its rights under this Agreement to another "local government" (as defined in the Act), the Borrower shall give notice of such fact to the Authority, the Board and the Local Trustee. If the Authority, the Board and the Local Trustee consent to the proposed assignment, the Borrower may proceed with the proposed assignment, but such assignment shall not become effective until the Authority, the Board and the Local Trustee are furnished (i) an assumption agreement in form and substance satisfactory to the Authority, the Board and the Local Trustee by which the assignee agrees to assume all of the Borrower's obligations under the Local Bond and this Agreement, and (ii) an Opinion of Counsel to the assignee, subject to customary exceptions and qualifications, that the assumption agreement, the Local Bond and this Agreement constitute legal, valid and binding obligations of the assignee enforceable against the assignee in accordance with their terms and that the assignment and assumption comply in all respects with the provisions of this Agreement and the Trust Agreement. Notwithstanding the foregoing, the assignment of the rights of the Borrower under the Local Bond and this Agreement or the assumption of the obligations thereunder by the assignee shall in no way be construed as releasing the Borrower's obligations.

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

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

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

(ii) operating data of the type set forth in Exhibit G.

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

"Leveraging Bonds" means the bonds and other evidences of indebtedness issued and sold by the Authority pursuant to the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Code of Virginia (1950), as amended, the Act, and any successor provisions of law, including without limitation the bonds and other evidences of indebtedness issued by the Authority under the Second Amended and Restated Master Indenture of Trust dated as of September 1, 2020, between the Authority and U.S. Bank Trust Company, National Association, as trustee, as supplemented and amended.

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

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

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

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

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

"SEC" means the U.S. Securities and Exchange Commission.

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

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

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

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

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

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on any credit enhancement reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations with respect to the tax status of the Local Bond, or other events affecting the tax status of the Local Bond;

(7) modifications to rights of the holders of the Local Bond;

(8) bond calls and tender offers;

(9) defeasances of all or any portion of the Local Bond;

(10) release, substitution, or sale of property securing repayment of the Local Bond;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Borrower*;

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

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

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

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

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

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

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

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* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

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

such modification(s).

(h) (1) If the Borrower fails to comply with any covenant or obligation set forth in this Section, any holder (within the meaning of the Rule) of Leveraging Bonds then Outstanding may, by notice to the Borrower, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Borrower's covenants or obligations set forth in this Section.

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

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

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

Section 10.10. Davis-Bacon Act. The Borrower agrees to comply with the Davis-Bacon Act and related acts, as amended, with respect to the Project and require that all laborers and mechanics employed by contractors and subcontractors for the Project shall be paid wages at rates not less than those prevailing on projects of a similar character, as determined by the United States Secretary of Labor in accordance with Section 1450(e) of the Safe Drinking Water Act and related acts, as amended.

Section 10.11. Service Agreements. The Borrower shall give prompt notice to the Authority of any renewal, extension, amendment, default or termination of any of the Service Agreements. The Borrower shall enforce the terms of such agreements and use its best efforts to ensure that such agreements remains in full force and effect during the term of this Agreement.

Section 10.12. Compliance with Trust Agreement. (a) The Borrower shall (i) comply with the terms and conditions of the Trust Agreement, (ii) furnish to the Authority a copy of any amendments or supplements to the Trust Agreement promptly upon the execution and delivery thereof, and (iii) give notice to the Authority immediately upon becoming aware of any event of default thereunder. The applicability of any and all references herein to the terms, conditions and covenants set forth in the Trust Agreement (as amended or supplemented) shall remain in full force and effect for so long as any amount remains due and payable by the Borrower to the Authority under the terms and conditions of this Agreement or the Local Bond.

(b) In the event that the Borrower makes any unscheduled transfers between the funds established by the Trust Agreement either (i) not in the ordinary course of business or (ii) as a result of financial difficulties, the Borrower shall send notice to the Authority in a timely manner not in excess of ten (10) business days after such transfer.

Section 10.13. Build America, Buy America Act. The Borrower agrees to comply with all federal requirements imposed by the Infrastructure Investment and Jobs Act, P.L. 117-58 and related United States Environmental Protection Agency ("EPA") guidelines, as amended and supplemented and in effect from time to time, which the Borrower understands includes, but is not limited to, the following requirements: that all of the iron and steel products, manufactured products, and construction materials used in the Project are to be produced in the United States unless (1) the Borrower has requested and obtained an appropriate federal agency waiver pertaining to the Project or the Project is otherwise covered by a general applicability waiver; or (2) all of the contributing federal agencies have otherwise advised the Borrower in writing that the foregoing requirements are not applicable to the Project. In the event that one of the above exceptions applies to the Project, the Borrower agrees to comply with all federal requirements imposed by the Consolidated Appropriations Act, P.L. 113-76 and related EPA guidelines, as amended and supplemented and in effect from time to time, with respect to the Project, which the Borrower understands includes, but is not limited to, the requirement that all iron and steel products used for the Project are to be produced in the United States.

Section 10.14. Recordkeeping and Reporting. The Borrower agrees to comply with all recordkeeping and reporting requirements all applicable legal authorities, including any reports required by the contributing federal agencies or the Authority, such as performance indicators of program deliverables, information on costs and progress with respect to the Project. The Borrower acknowledges that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities, and (ii) failure to comply with the applicable legal requirements and this Agreement may result in a default hereunder that results in a repayment in advance of the maturity of the Local Bond and/or other remedial actions.

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

Section 10.16. Reporting Fraud; Whistleblower Protections. In the performance of this Agreement, and in accordance with applicable federal law, the Borrower warrants that it will promptly disclose whenever, in connection with this Agreement, it has credible evidence of the commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False

Claims Act (31 U.S.C. §§ 3729-3733). The Borrower agrees to make such disclosure in writing to the applicable federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable). The Borrower agrees to also report matters related to recipient integrity and performance as required under 2 CFR § 200.113. The Borrower agrees to post in conspicuous places details on how to report such violations or otherwise establish a mechanism by which employees of the Borrower may report such violations. The Borrower further agrees to notify employees in writing of whistleblower rights and protections available under federal law.

Section 10.17. Additional Federal Requirements. In addition to the various federal requirements set forth in other Sections of this Agreement, the Borrower agrees to comply, and to require that all contractors, subcontractors, and other applicable parties for the Project comply, to the extent appropriate, with all other applicable federal laws, regulations, EPA guidelines, and other requirements, as amended and supplemented and in effect from time to time, relating to or arising out of or in connection with the Project and the funding thereof from federal financial assistance, including, but not limited to, Disadvantaged Business Enterprise requirements (40 CFR Part 33), Equal Employment Opportunity requirements (EO 11246), and Debarment and Suspension prohibitions (EO 12549).

ARTICLE XI
DEFAULTS AND REMEDIES

Section 11.1. Events of Default. An "Event of Default" for purposes of this Agreement and the Local Bond shall have the meaning given such term in the Trust Agreement. Without limiting the foregoing, the covenants, conditions and agreements of this Agreement shall be deemed covenants, conditions and agreements of the "Bonds" under the Trust Agreement for purposes of Section 1001 of the Trust Agreement.

Section 11.2. Notice of Default. The Borrower agrees to give the Authority prompt written notice of the occurrence of any event or condition which constitutes a Default or an Event of Default immediately upon becoming aware of the existence thereof.

Section 11.3. Other Remedies. Upon the occurrence and continuation of an Event of Default, and subject to Article X of the Trust Agreement, the Authority may proceed to protect and enforce its rights by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement contained in the Local Bond or this Agreement. No remedy conferred by this Agreement upon or reserved to the registered owners of the Local Bond 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 Authority under this Agreement or now or hereafter existing at law or in equity or by statute.

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

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

ARTICLE XII
MISCELLANEOUS

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

Section 12.2. Amendments. The Authority and the Borrower, with the written consent of the Department, shall have the right to amend from time to time any of the terms and conditions of this Agreement, provided that all amendments shall be in writing and shall be signed by or on behalf of the Authority and the Borrower; provided, however, that the written consent of the Department shall not be required for the Authority and the Borrower to amend Articles I, V, IX and XI or Sections 10.4, 10.9, 10.12 and 10.14 of this Agreement.

Section 12.3. Limitation of Borrower's Liability. Notwithstanding anything in the Local Bond or this Agreement to the contrary, the Borrower's obligations are not its general obligations, but are limited obligations payable solely from the Revenues which are specifically pledged for such purpose. Neither the Local Bond nor this Agreement shall be deemed to create or constitute a debt or a pledge of the faith and credit of the Borrower, and the Borrower shall not be obligated to pay the principal of or Costs of Funds on the Local Bond or other costs incident thereto except from the Revenues and other funds pledged therefor. In the absence of fraud, no present or future director, official, officer, employee or agent of the Borrower shall be liable personally in respect of this Agreement or the Local Bond or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bond.

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

Section 12.5. Severability. If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or Section shall not affect the remainder of this Agreement which shall be construed and enforced

as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority and the Borrower, as the case may be, only to the extent permitted by law.

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

Fund:	Virginia Water Supply Revolving Fund c/o Virginia Resources Authority 1111 East Main Street, Suite 1920 Richmond, VA 23219 Attention: Executive Director
Authority:	Virginia Resources Authority 1111 East Main Street, Suite 1920 Richmond, VA 23219 Attention: Executive Director
Board:	Virginia Department of Health 109 Governor Street Richmond, VA 23219 Attention: State Health Commissioner
Borrower:	City of Danville, Virginia P.O. Box 3300 Danville, VA 24543 Attention: City Manager
Local Trustee:	U.S. Bank Trust Company, National Association Three James Center 1051 East Cary Street, Suite 600 Richmond, VA 23219 Attn: Corporate Trust Division

A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. The Authority and the Borrower may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

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

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

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

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

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

[Signature Page Follows]

WITNESS the following signatures, all duly authorized.

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

By: _____
Shawn B. Crumlish, Executive Director

CITY OF DANVILLE, VIRGINIA

By: _____

Its: _____

EXHIBIT A

FORM OF LOCAL BOND
CITY OF DANVILLE, VIRGINIA

WSL-014-25E

[To Come from Borrower's Bond Counsel]

EXHIBIT B

PROJECT DESCRIPTION
CITY OF DANVILLE, VIRGINIA

WSL-014-25E

The Project involves financing the Water Main Replacement project, together with related expenses.

EXHIBIT C

PROJECT BUDGET
CITY OF DANVILLE, VIRGINIA

WSL-014-25E

[To Come]

EXHIBIT D

OPINION OF BORROWER'S BOND COUNSEL
CITY OF DANVILLE, VIRGINIA

WSL-014-25E

[To Come from Borrower's Bond Counsel]

EXHIBIT E

REQUISITION FOR DISBURSEMENT
CITY OF DANVILLE, VIRGINIA

WSL-014-25E

(To Be on Borrower's Letterhead)

[Date]

Anthony Hess, Division Director
Financial & Construction Assistance Programs (FCAP)
Office of Drinking Water
Virginia Department of Health, Lexington Field Office
131 Walker Street
Lexington, VA 24450

Re: Virginia Water Supply Revolving Fund
City of Danville, Virginia
Loan No. WSL-014-25E

Dear Mr. Hess:

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

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

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

oversight for compliance with the Davis-Bacon Act and related acts through (a) the review of payrolls and associated certifications, and (b) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products included in this request (x) satisfy compliance with federal requirements imposed by the Infrastructure Investment and Jobs Act (including Build America, Buy America requirements) or (y) satisfy the appropriate requirements for iron and steel products included in the Agreements, as applicable.

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

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

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

Sincerely,

By: _____
(Authorized Representative of the Borrower)

Attachments

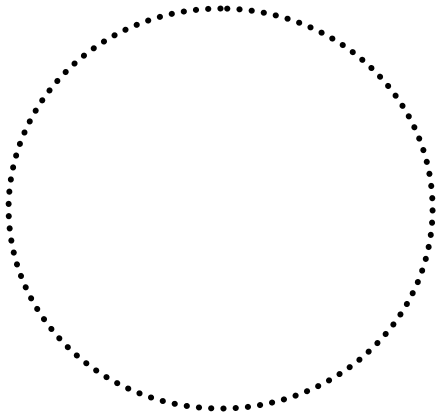
cc: VDH Project Engineer (with all attachments)

CERTIFICATE OF THE CONSULTING ENGINEER
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

Loan No. WSL-014-25E

This Certificate is submitted in connection with Requisition Number ___, dated _____, 20__, submitted by the City of Danville, Virginia. Capitalized terms used herein shall have the same meanings set forth in Article I of the Agreements.

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



SEAL

_____
[Consulting Engineer]

By: _____

Date: _____

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

REQUISITION # _____
BORROWER: CITY OF DANVILLE, VIRGINIA
LOAN NUMBER: WSL-014-25E
CERTIFYING SIGNATURE: _____
TITLE: _____

Cost Category	Amount Budgeted	Previous Disbursements	Expenditures This Period	Total Expenditures to Date	Net Balance Remaining
TOTALS:					

Total Loan Amount $_____
Previous Disbursements $_____
This Request $_____
Loan Proceeds Remaining $_____

EXHIBIT F

PRIOR BONDS AND EXISTING PARITY BONDS
CITY OF DANVILLE, VIRGINIA

WSL-014-25E

[To Be Updated By Bond Counsel]

Prior Bonds:

None

Existing Parity Bonds:

$6,480,000 Taxable Utility System Revenue Bond, Series 2023

$11,420,000 Taxable Utility System Revenue Bond, Series 2024

EXHIBIT G

OPERATING DATA
CITY OF DANVILLE, VIRGINIA

WSL-014-25E

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

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

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

FUNDING AGREEMENT

dated as of _____ 1, 2025

BETWEEN

VIRGINIA RESOURCES AUTHORITY,

as Administrator of the
Virginia Water Supply Revolving Fund

AND

CITY OF DANVILLE, VIRGINIA

Virginia Resources Authority
Virginia Water Supply Revolving Fund

CFDA No. 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
Federal Award No. FS-[9935832[4]]
U.S. Environmental Protection Agency

Loan No. WSL-014-25E

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EXHIBITS

Exhibit A. Project Description
Exhibit B. Project Budget
Exhibit C. Requisition for Disbursement

FUNDING AGREEMENT

THIS FUNDING AGREEMENT is dated as of this first day of _____, 2025, between the **VIRGINIA RESOURCES AUTHORITY**, as administrator of the Virginia Water Supply Revolving Fund, a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Authority") and the **CITY OF DANVILLE, VIRGINIA**, a public body politic and corporate of the Commonwealth of Virginia (the "Locality").

Pursuant to Chapter 23, Title 62.1, Code of Virginia of 1950, as amended (the "Act"), the General Assembly created a fund known as the "Virginia Water Supply Revolving Fund" (the "Fund"). In conjunction with the Virginia Board of Health (the "Board"), the Authority administers and manages the Fund. Following consultation with the Authority, the Board from time to time directs the distribution of monies to local governments in Virginia to finance the "costs" of "projects" within the meaning of Section 62.1-233 of the Act.

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

ARTICLE I
DEFINITIONS

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

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

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

"Consulting Engineer" means the engineer or the firm of independent consulting engineers of recognized standing and experienced in the field of water system and sanitary sewer engineering and registered to do business in Virginia which is designated by the Locality from time to time as the Locality's consulting engineer for the Project in a written notice to the Authority. Such individual or firm shall be subject to the reasonable approval of the Authority. Unless and until the Authority notifies the Locality otherwise, any of the Locality's employees that are licensed and registered as professional engineers in the Commonwealth of Virginia may serve as Consulting Engineer under this Agreement.

"Department" means the Virginia Department of Health, created and acting under Chapter 1, Title 32.1, of the Code of Virginia of 1950, as amended.

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

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

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

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

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

ARTICLE II
SCOPE OF SERVICES

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

ARTICLE III
TIME OF PERFORMANCE

The Locality's work on the Project will be completed on or before _____, 20__.

ARTICLE IV
FUNDING; NATURE OF TRANSACTION

The Locality shall be reimbursed for the payment of Project Costs, in an amount not to exceed $_____, for the purposes set forth in the Project Description and Project Budget, a portion of which may be made from federal financial assistance. Disbursement of funds will be in accordance with the payment provisions set forth in Section 4.1 and the Project Budget.

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

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

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

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

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

Except as may otherwise be approved by the Department, disbursements shall be held at ninety-five percent (95%) of the total funding amount to ensure satisfactory completion of the Project. Upon receipt from the Locality of the certificate specified in Section 4.2 and a final requisition detailing all retainages to which the Locality is then entitled, the Authority, to the extent approved by the Department and subject to the provisions of this Section and Section 4.2, will disburse to the Locality the remaining funds.

Section 4.2. Agreement to Accomplish Project. The Locality agrees to cause the Project to be acquired, constructed, expanded, renovated or equipped as described in **Exhibit A** and in accordance with plans and specifications prepared by the Consulting Engineer and approved by the Department. The Locality shall use its best efforts to complete the Project by the date set forth in Article III of this Agreement.

When the Project has been completed, the Locality shall promptly deliver to the Authority and the Department a certificate signed by an Authorized Representative of the Locality and by the Consulting Engineer stating (i) that the Project has been completed

substantially in accordance with the approved plans and specifications and addenda thereto, and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion, (iii) that all required certificates of occupancy and permits for operation of the Project have been issued or obtained, and (iv) the amount, if any, to be reserved for payment of the final Project Costs.

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

ARTICLE V
GENERAL PROVISIONS

Section 5.1. Liability Insurance. The Locality shall take out and maintain during the life of this Agreement such general and bodily injury liability and property damage liability insurance as shall protect it from claims for damages for personal injury, including death, as well as from claims for property damage, which may arise from the Locality's activities under this Agreement.

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

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

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

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

(c) In the event of a breach by the Locality of this Agreement, the Authority shall have the right immediately to terminate this Agreement. In the alternative, the Authority, the

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

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

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

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

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

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

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

(b) In the performance of this Agreement, and in accordance with applicable federal law, the Locality warrants that it will promptly disclose whenever, in connection with this Agreement, it has credible evidence of the commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act (31 U.S.C. §§ 3729-3733). The Locality agrees to make such disclosure in writing to the applicable federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable). The Locality agrees to also report matters related to recipient integrity and performance as required under 2 CFR § 200.113. The Locality agrees to post in conspicuous places details on how to report such violations or

otherwise establish a mechanism by which employees of the Locality may report such violations. The Locality further agrees to notify employees in writing of whistleblower rights and protections available under federal law.

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

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

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

Section 5.10. Conflict of Interest. The Locality warrants that it has fully complied with the Virginia Conflict of Interests Act in connection with this Agreement and the Project funded hereby.

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

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

Section 5.13. Governmental Requirements. (a) The Locality agrees to comply with all applicable governmental requirements pertaining to the Project and the use and application of funds provided hereunder, including but not limited to, the Virginia Waterworks Regulations, 9 VAC 5-590 et seq., as amended, and the requirements and provisions identified in the Virginia

Public Procurement Act, Va. Code §§ 2.2-4300 et seq., as amended, when procuring professional or construction services for work identified in this Agreement.

(b) In the event the Locality expends $750,000 or more in federal funds in any fiscal year, the Locality agrees to obtain an annual audit from an independent auditor in accordance with the provisions of the Single Audit Act of 1984, 31 U.S.C. §§ 7501 et seq., as amended, and the regulations promulgated thereunder, including Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards located at Title 2 of the Code of Federal Regulations Part 200 Subpart F ("SAA Audit"). The Locality shall furnish to the Authority and the Board copies of any SAA Audit immediately after it is accepted by the Locality, and in the event such SAA Audit contains financing and recommendations pertaining to the Fund, the Locality shall promptly inform the Authority and the Board when corrective actions have been implemented pursuant to such findings and recommendations.

(c) The Locality agrees to comply with the Davis-Bacon Act and related acts, as amended, with respect to the Project and require that all laborers and mechanics employed by contractors and subcontractors for the Project shall be paid wages at rates not less than those prevailing on projects of a similar character, as determined by the United States Secretary of Labor in accordance with Section 1450(e) of the Safe Drinking Water Act and related acts, as amended.

(d) The Locality agrees to comply with all federal requirements imposed by the Infrastructure Investment and Jobs Act, P.L. 117-58 and related United States Environmental Protection Agency ("EPA") guidelines, as amended and supplemented and in effect from time to time, which the Locality understands includes, but is not limited to, the following requirements: that all of the iron and steel products, manufactured products, and construction materials used in the Project are to be produced in the United States unless (1) the Locality has requested and obtained an appropriate federal agency waiver pertaining to the Project or the Project is otherwise covered by a general applicability waiver; or (2) all of the contributing federal agencies have otherwise advised the Locality in writing that the foregoing requirements are not applicable to the Project. In the event that one of the above exceptions applies to the Project, the Locality agrees to comply with all federal requirements imposed by the Consolidated Appropriations Act, P.L. 113-76 and related EPA guidelines, as amended and supplemented and in effect from time to time, with respect to the Project, which the Locality understands includes, but is not limited to, the requirement that all iron and steel products used for the Project are to be produced in the United States.

(e) The Locality agrees to comply with all recordkeeping and reporting requirements under all applicable legal authorities, including any reports required by the contributing federal agencies or the Authority, such as performance indicators of program deliverables, information on costs and progress with respect to the Project. The Locality acknowledges that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities, and (ii) failure to comply with the applicable legal requirements and this Agreement may result in a default hereunder that results in a repayment of all funding proceeds disbursed hereunder and/or other remedial actions.

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

(g) In addition to the various federal requirements set forth in other Sections of this Agreement, the Locality agrees to comply, and to require that all contractors, subcontractors, and other applicable parties for the Project comply, to the extent appropriate, with all other applicable federal laws, regulations, EPA guidelines, and other requirements, as amended and supplemented and in effect from time to time, relating to or arising out of or in connection with the Project and the funding thereof from federal financial assistance, including, but not limited to, Disadvantaged Business Enterprise requirements (40 CFR Part 33), Equal Employment Opportunity requirements (EO 11246), and Debarment and Suspension prohibitions (EO 12549).

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

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

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

Department
and Board: Virginia Board of Health
Virginia Department of Health
Division of Financial and
Construction Assistance Programs ODW/VDH
109 Governor Street
Richmond, Virginia 23219
Attention: Director

Locality: City of Danville, Virginia
P.O. Box 3300
Danville, VA 24543
Attention: City Manager

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

ARTICLE VI
COUNTERPARTS

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

[Remainder of this page intentionally left blank]

WITNESS the following signatures, all duly authorized.

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

By: _____
Shawn B. Crumlish
Executive Director

CITY OF DANVILLE, VIRGINIA

By: _____

Its: _____

Exhibit A
Project Description
City of Danville, Virginia
WSL-014-25E

The Project includes financing the Water Main Replacement project, together with related expenses.

Exhibit B
Project Budget
City of Danville, Virginia
WSL-014-25E

[To Come]

Exhibit C
Requisition For Disbursement
WSL-014-25E

[LETTERHEAD OF BORROWER]

[Date]

Anthony Hess, Division Director
Financial & Construction Assistance Programs (FCAP)
Office of Drinking Water
Virginia Department of Health, Lexington Field Office
131 Walker Street
Lexington, VA 24450

Re: Virginia Water Supply Revolving Fund
City of Danville, Virginia
Loan No. WSL-014-25E

Dear Mr. Hess:

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

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

The undersigned certifies that (a) the amounts requested by this requisition will be applied solely and exclusively to the payment, or the reimbursement of the Borrower for the payment, of Project Costs, and (b) any materials, supplies or equipment covered by this requisition are not subject to any lien or security interest or such lien or security interest will be released upon payment of the requisition. In addition, the undersigned certifies that the Borrower has conducted adequate oversight for compliance with the Davis-Bacon Act and related acts through (a) the review of payrolls and associated certifications, and (b) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products included in this request (x) satisfy compliance with federal requirements imposed by the Infrastructure Investment and Jobs Act (including Build America, Buy America requirements) or (y) satisfy the appropriate requirements for iron and steel products included in the Agreements, as applicable.

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

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

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

Sincerely,

_____

(Authorized Representative of the Borrower)

Attachments
cc: VDH Project Engineer (with all attachments)

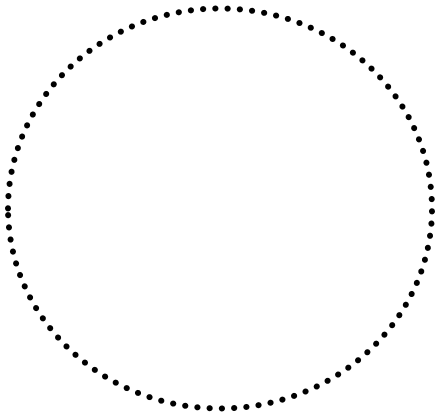
CERTIFICATE OF THE CONSULTING ENGINEER

FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

Loan No. WSL-014-25E

This Certificate is submitted in connection with Requisition Number ____, dated _____, 20__, submitted by the City of Danville, Virginia. Capitalized terms used herein shall have the same meanings set forth in Article I of the Agreements referred to in the Requisition.

The undersigned Consulting Engineer for the Borrower 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 to or installed in the Project.



SEAL

_____
[Consulting Engineer]

Date: _____

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

REQUISITION # _____
BORROWER: CITY OF DANVILLE, VIRGINIA
LOAN NUMBER: WSL-014-25E

CERTIFYING SIGNATURE: _____
TITLE: _____

Cost Category	Amount Budgeted	Previous Disbursements	Expenditures This Period	Total Expenditures to Date	Net Balance Remaining

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

Council Letter
City of Danville, Virginia

CL - 2692 **NEW BUSINESS J.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Resolution to Issue Utility Revenue Bonds to Utilize Funding Available through the Virginia Water Supply Revolving Fund - Lead Service Line Replacement.

From: Michael Adkins, Assistant City Manager-Chief Financial Officer

---

COUNCIL ACTION

A Resolution of the Council of the City of Danville, Virginia, Providing for the Issuance and Sale by the City of Danville, Virginia, of a Taxable Utility System Revenue Bond in a Principal Amount not to Exceed $5,080,000, Heretofore Authorized, and Providing for the Form, Details, and Payment of Such Bond.

SUMMARY

The Virginia Department of Health has authorized the City of Danville to receive a total of $12,201,000 through the Virginia Water Supply Revolving Fund towards its Water Main Replacement and Lead Service Line Replacement projects. This funding is treated as a low-interest revenue bond; however, there is principal forgiveness of $5,524,620, which will result in a net amount owed of $6,676,380. City Council must take separate action on each of the two projects. The attached resolution is for the Lead Service Line Replacement Project. This project will receive $8,000,000 of funding with principal forgiveness of $5,080,000 and low-interest revenue bonds of $2,920,000.

BACKGROUND

In the Fiscal Year 2026 Capital and Special Projects Budget, City Council approved the Water Line Reconstruction Project and the Lead Service Line Replacement Project with the intention of using the financing program offered through the Virginia Water Supply Revolving Fund through the Virginia Department of Health.

The Water Line Reconstruction Project will allow for planned, non-emergency, and systematic replacement of water mains, resulting in improvements to water quality, fire protective services, and system reliability. The City has 331 miles of water mains in its system. More than 144 miles are cast iron and another 8.6 miles are galvanized steel. More than 34 miles of the cast iron are 80 years old, or older.

The Lead Service Line Replacement Project is a result of the 2021 Bipartisan Infrastructure Law that was passed by the federal government. All water utilities had to complete a lead service line inventory by October 2024. This project provides funding to replace the lead and galvanized lines located on both the City side and customer side of the water meter. This funding will be available to homeowners who need financial assistance to replace their private lead or galvanized service lines.

This program, through the Virginia Water Supply Revolving Fund, allows the City to access over $12

million of funding for these needs, while only having to repay about 55%. The amount owed is treated as a low-interest revenue bond and will be repaid over future years with revenues generated from water operations.

RECOMMENDATION

Staff recommends approval of this Resolution, allowing the City of Danville to utilize funding available through the Virginia Water Supply Revolving Fund for the Lead Service Line Replacement Project.

Attachments

1. Resolution
2. Drinking Water Financing Agreement
3. Fourth Supplemental Trust Agreement
4. Drinking Water Funding Agreement

PRESENTED : _____

ADOPTED : _____

RESOLUTION 2026- ____ . ____

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA PROVIDING FOR THE ISSUANCE AND SALE BY THE CITY OF DANVILLE, VIRGINIA, OF A TAXABLE UTILITY SYSTEM REVENUE BOND IN A PRINCIPAL AMOUNT NOT TO EXCEED $5,080,000, HERETORFORE 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"), has established 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**,** on May 5, 2026, the Council adopted an ordinance (the "Ordinance"), authorizing the issuance of utility system revenue bonds of the City in the maximum aggregate principal amount of Six Million Seven Hundred Thousand Dollars ($6,700,000) to finance capital improvement projects for the City's water, sewer, electric and gas utility systems, including but not limited to (1) a lead service line identification and replacement project, together with related expenses, and (2) a water main replacement project, together with related expenses, and to pay related costs of issuance; none of which bonds has heretofore been issued; and

WHEREAS**,** the Council desires to issue a single utility system revenue bond in a principal amount not to exceed Five Million Eighty Thousand Dollars ($5,080,000) (the "Bond") to finance the portion of the projects described above related

to lead service line identification and replacement, together with related expenses (the "Project"), and to pay the related costs of issuance; and

WHEREAS, the City has applied to the Virginia Department of Health for a loan to finance the Project, and the Virginia Resources Authority ("VRA"), as Administrator of the Virginia Water Supply Revolving Fund (the "Fund"), has agreed to purchase the Bond (as defined below) pursuant to the terms of a Commitment Letter dated June 23, 2025, as amended, and in accordance with the terms of the Financing Agreement (as defined below); and

WHEREAS**,** the Virginia Department of Health has also determined to provide the City with a principal forgiveness loan in the estimated amount of Two Million Ninety Thousand Dollars ($2,920,000) in accordance with the terms of a Funding Agreement (as defined below); and

WHEREAS, there have been made available to the Council at this meeting current drafts of the following documents proposed to be used in connection with the issuance and sale of the Bond:

(a) A Supplemental Agreement of Trust (the "Supplemental Agreement"), to be dated as of a date specified by the City Manager, between the City and U.S. Bank Trust Company, National Association (the "Trustee"), which supplements an Agreement of Trust dated as of March 31, 2023, between the City and the Trustee, as previously supplemented (together with the Supplemental Agreement, the "Trust Agreement");

(b) Financing Agreement between VRA, as Administrator of the Fund, and

the City (the "Financing Agreement"); and

(c) Funding Agreement between VRA, as Administrator of the Fund, and the City (the "Funding Agreement").

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

1. Issuance and Sale of Bond**.** 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 authorization of the Ordinance, the Council provides for the issuance and sale of the Bond in a principal amount not to exceed $5,080,000 to finance the Project and to pay the related costs of issuance. The Bond shall be delivered to or upon the order of VRA subject to the terms and conditions set forth in the Financing Agreement and the Trust Agreement.

2. Authorization of Supplemental Agreement**.** The Mayor and the City Manager (which term shall include the Deputy City Manager for purposes of this Resolution), either of whom may act, are authorized and directed to execute the Supplemental Agreement and deliver such document to the Trustee. The Supplemental Agreement shall be in substantially the same form as made available at this meeting, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Mayor or the City Manager, either of whom may act, whose approval shall be evidenced conclusively by the execution and delivery thereof.

3. Authorization of Financing Agreement and Funding Agreement**.** The forms of the Financing Agreement and the Funding Agreement made available at this meeting are hereby approved. The City Manager is authorized to execute and deliver the Financing Agreement and the Funding Agreement in substantially such forms, 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**.** The Bond shall be issued as a single, registered bond, shall be designated "Taxable Utility System Revenue Bond, Series 2026B," or such other series designation as the City Manager (which term may include any Deputy City Manager) may choose. The Bond shall be dated the date of its delivery to VRA, shall be numbered RB-1 and shall mature no later than December 31, 2050. The Cost of Funds (as interest is defined in the Financing Agreement) on the Bond shall be computed on the disbursed principal balance thereof from the date of each disbursement at a rate not to exceed 1.00% per year (including the part thereof that VRA has determined to allocate to an administrative fee), calculated on the basis of a 360-day year of twelve 30-day months. The Bond shall provide for VRA to make principal advances from time to time in an aggregate amount not to exceed Five Million Eighty Thousand Dollars ($5,080,000) and to note such advances on the Bond as moneys are advanced by VRA thereunder. An authorized representative of VRA shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances on the Bond when the proceeds of each such advance are

delivered to the City. The Bond shall be payable in principal installments in such amounts and on such dates as shall be determined by the City Manager to be in the best interests of the City and in accordance with the Financing Agreement. If principal disbursements up to the maximum authorized amount of the Bond are not made, the principal amount due on the Bond shall not include such undisbursed amount. However, unless the City and VRA agree otherwise in writing, until all amounts due under the Bond and the Financing Agreement shall have been paid in full, less than full disbursement of the maximum authorized amount of the Bond shall neither postpone the due date of any semi-annual installment due on the Bond nor change the amount of such installment. In addition, the City shall pay a late payment charge as provided in the Financing Agreement if any payment is not received within 10 days of its due date. Principal and Cost of Funds shall be payable in lawful money of the United States of America by (a) check or draft mailed to the registered owner at its address as it appears on the registration books kept for that purpose by the Registrar (as hereinafter defined) or (b) wire transfer pursuant to the most recent wire instructions received by the Registrar from such registered owner.

The actions of the City Manager in determining the final terms of the Bond shall be conclusive, and no further action shall be necessary on the part of the Council.

5. Payment and Redemption Provisions. The principal of the Bond shall be payable as set forth in the Bond and the Financing Agreement. The City may not redeem, prepay or refund the Bond without the written consent of VRA, as set forth in the Financing Agreement.

6. Execution and Authentication. The Bond shall be issued initially as a typewritten bond in substantially the form attached as Exhibit A to the Supplemental Agreement, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Mayor or Vice Mayor, whose approval shall be evidenced conclusively by the execution and delivery of the Bond. The Mayor (or Vice Mayor), the City Treasurer and the City Clerk are hereby authorized and directed to prepare and execute the Bond pursuant to the Trust Agreement, to deliver it to the Trustee for authentication and to cause the Bond so executed and authenticated to be delivered to, or at the direction of, VRA upon payment therefor.

7. Pledge of Security. The Bond shall be a limited obligation of the City, payable solely from the Revenues (as defined in the Trust Agreement) and the funds created by the Trust Agreement, subject only to the right of the City to make application thereof to the purposes as provided in the Trust Agreement, including the payment of Operating Expenses (as defined in the Trust Agreement), and shall be equally and ratably secured on a parity as to such pledge of Revenues with any outstanding indebtedness secured thereby as set forth in the Trust Agreement. Nothing in the Bond, the Financing Agreement or the Trust Agreement shall be deemed to create or constitute an indebtedness or pledge of the full faith and credit of the Commonwealth of Virginia or any political subdivision thereof, including the City.

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 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 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. 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 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 they may consider reasonably necessary or desirable in

connection with the issuance, sale and delivery of the Bond pursuant to this Resolution, the Trust Agreement and the Financing Agreement.

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

12. Effective Date. This Resolution shall take effect immediately upon adoption.

Approved:

_____
Mayor

Attest:

_____
City Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

FINANCING AGREEMENT

dated as of _____ 1, 2025

BETWEEN

VIRGINIA RESOURCES AUTHORITY,

as Administrator of the
Virginia Water Supply Revolving Fund

AND

CITY OF DANVILLE, VIRGINIA

Virginia Resources Authority
Virginia Water Supply Revolving Fund

CFDA No. 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
Federal Award No. FS-[4L-95306801]
U.S. Environmental Protection Agency

Loan No. BIL 67L-23

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FINANCING AGREEMENT

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

Pursuant to Chapter 23, Title 62.1 of the Code of Virginia (1950), as amended (the "Act"), the General Assembly created a permanent and perpetual fund known as the "Virginia Water Supply Revolving Fund" (the "Fund"). In conjunction with the Virginia Board of Health, the Authority administers and manages the Fund. From the Fund, the Authority from time to time makes loans to and acquires obligations of local governments in Virginia to finance or refinance the costs of water supply facilities within the meaning of Section 62.1-233 of the Act.

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

ARTICLE I
DEFINITIONS

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

"Additional Payments" means the payments required by Section 6.2.

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

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

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

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

"Board" means the Virginia Board of Health.

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

"Commitment Letter" means, collectively, the commitment letters from the Authority to the Borrower, dated _____, 2025, and all extensions and amendments thereto.

"Consulting Engineer" shall have the meaning given such term in the Trust Agreement.

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

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

"Department" means the Virginia Department of Health.

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

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

"Fiscal Year" shall have the meaning given such term in the Trust Agreement.

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

"Local Bond" means the bond in substantially the form provided for in the Supplemental Trust Agreement, and attached to this Financing Agreement as Exhibit A, issued by the Borrower under the Supplemental Trust Agreement and purchased by the Authority, as Administrator of the Fund, pursuant to this Agreement.

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

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

"Local Trustee" means U.S. Bank Trust Company, National Association, Richmond, Virginia, as trustee under the Trust Agreement, or its successors serving in such capacity.

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

"Operating Expenses" shall have the meaning given such term in the Trust Agreement.

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

"Parity Bonds" means bonds, notes or other evidences of indebtedness of the Borrower secured by a pledge of Revenues expressly made on parity with the pledge of Revenues to secure the payment of the Local Bond

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

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

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

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

"Qualified Independent Consultant" shall have the meaning given such term in the Trust Agreement, subject to the reasonable approval of the Authority.

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

"Revenues" shall have the meaning given such term in the Trust Agreement.

"Service Agreements" means, collectively, [the service agreement between the Borrower and the Pittsylvania County Service Authority, the service agreement between the Borrower and Caswell County, North Carolina, and the service agreement between the Borrower and the City of Eden, North Carolina].

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

"Supplemental Trust Agreement" means that _____ Supplemental Trust Agreement dated as of _____ 1, 2025, between the Borrower and the Local Trustee, pursuant to and under which the Borrower is issuing the Local Bond to finance the Project.

"System" shall have the meaning set forth in the Trust Agreement.

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

"Trust Agreement" means the Agreement of Trust dated as of March 31, 2023, between the Borrower and the Local Trustee, as amended and supplemented in accordance with its terms.

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

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

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

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

(c) The headings and table of contents as used in this Agreement are solely for convenience of reference and shall neither constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

(d) References in this Agreement to sections and subsections in the Trust Agreement shall be read to include the defined terms used in such sections and subsections.

ARTICLE II
REPRESENTATIONS

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

(a) The Borrower is a duly created and validly existing "local government" (as defined in Section 62.1-233 of the Act) of the Commonwealth of Virginia and is vested with the rights and powers conferred upon it by Virginia law.

(b) The Borrower has full right, power and authority to (i) adopt the Local Resolution and execute and deliver this Agreement, the Supplemental Trust Agreement, the Tax Compliance Agreement and the other documents related thereto, (ii) issue, sell and deliver the Local Bond to the Authority, as Administrator of the Fund, (iii) own and operate the System, (iv) fix, charge and collect charges for the use of and for the services furnished by the System, (v) construct, acquire or equip the Project (as described in Exhibit B) and finance or refinance the Project Costs by borrowing money for such purpose pursuant to this Agreement and the issuance of the Local Bond, (vi) pledge the Revenues of the System to the payment of the Local Bond, and (vii) carry out and consummate all of the transactions contemplated by the Local Resolution, this Agreement, the Supplemental Trust Agreement, the Tax Compliance Agreement and the Local Bond.

(c) This Agreement, the Supplemental Trust Agreement, the Tax Compliance Agreement and the Local Bond were duly authorized by the Local Resolution and are in substantially the same form as presented to the governing body of the Borrower at its meeting at which the Local Resolution was adopted.

(d) All governmental permits, licenses, registrations, certificates, authorizations and approvals required to have been obtained as of the date of the delivery of this Agreement have been obtained for (i) the Borrower's adoption of the Local Resolution, (ii) the execution and delivery by the Borrower of this Agreement, the Supplemental Trust Agreement, the Tax Compliance Agreement and the Local Bond, (iii) the performance and enforcement of the obligations of the Borrower thereunder, (iv) the acquisition, construction, equipping, occupation, operation and use of the Project, and (v) the operation and use of the System and the performance by the Borrower of its obligations under the Trust Agreement. The Borrower knows of no reason why any such required governmental permits, licenses, registrations, certificates, authorizations and approvals not obtained as of the date hereof cannot be obtained as needed.

(e) This Agreement, the Tax Compliance Agreement and the Trust Agreement have been executed and delivered by duly authorized officials of the Borrower and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms.

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

(g) The issuance of the Local Bond and the execution and delivery of this Agreement, the Supplemental Trust Agreement, the Tax Compliance Agreement and the

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

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

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

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

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

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

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

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

(o) Each of the Service Agreements is in full force and effect; no default or event of default has occurred and is continuing under any of the Service Agreements; and the Borrower is not currently aware of any fact or circumstance that would have an adverse impact on the Borrower's ability to set rates, to receive payments or to exercise any other rights and remedies available to the Borrower, under or pursuant to any of the Service Agreements.

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

ARTICLE III
ISSUANCE AND DELIVERY OF THE LOCAL BOND

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

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

(a) The Local Bond, the Funding Agreement, and the Supplemental Trust Agreement.

(b) A certified copy of the Local Resolution.

(c) A certificate of appropriate officials of the Borrower as to the matters set forth in Section 2.1 and such other matters as the Authority may reasonably require.

(d) A closing certificate from the Department certifying that the Project is in compliance with all federal and state laws and project requirements applicable to the Fund and evidencing the Board's concurrence in the closing of the loan with the Borrower.

(e) A certificate of the Consulting Engineer estimating the total Project Costs to be financed with the Local Bond Proceeds, which estimate is in an amount and otherwise compatible with the financing plan described in the Project Budget.

(f) A certificate of the Consulting Engineer to the effect that in the opinion of the Consulting Engineer (i) the Project will be a part of the System, and (ii) the Local Bond Proceeds and funds available from the other sources specified in the Project Budget will be sufficient to pay the estimated Project Costs.

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

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

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

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

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

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

(m) Evidence satisfactory to the Authority that the Borrower is in compliance with the insurance provisions set forth in Sections 9.1 and 9.2 hereof.

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

(o) A copy of any and all documents, certificates or instruments required to be delivered to the Local Trustee pursuant to Article III of the Trust Agreement as a condition precedent to the issuance of the Local Bond, and such other evidence satisfactory to the Authority that the Local Bond will be issued as a "Bond" in accordance with the terms and conditions of the Trust Agreement.

(p) Evidence satisfactory to the Authority that each of the Service Agreements is in full force and effect and that each is a binding and enforceable agreement as to each of the Borrower and the other parties to each such agreement.

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

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

ARTICLE IV
USE OF LOCAL BOND PROCEEDS AND CONSTRUCTION OF PROJECT

Section 4.1. Application of Proceeds.

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

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

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

(i) a certificate, signed by the Consulting Engineer, stating that such work was actually performed or such materials, supplies or equipment

were actually furnished or installed in or about the construction of the Project; and

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

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

(b) The Borrower shall comply with all applicable laws of the Commonwealth of Virginia, including but not limited to, the Virginia Public Procurement Act, as amended, regarding the awarding and performance of public construction contracts related to the Project. Except as may otherwise be approved by the Board, disbursements shall be held at ninety-five percent (95%) of the maximum authorized amount of the Local Bond to ensure satisfactory completion of the Project. Upon receipt from the Borrower of the certificate specified in Section 4.2 and a final requisition detailing all retainages to which the Borrower is then entitled, the Authority, to the extent approved by the Board and subject to the provisions of this Section and Section 4.2, will disburse to or for the account of the Borrower Local Bond Proceeds to the extent of such approval.

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

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

prior notice. The Borrower and the Authority, with the consent of the Board, may amend the description of the Project set forth in Exhibit B.

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

Section 4.3. Permits. The Borrower, at its sole cost and expense, shall comply with and shall obtain all permits, consents and approvals required by local, state or federal laws, ordinances, rules, regulations or requirements in connection with the acquisition, construction, equipping, occupation, operation or use of the Project. The Borrower shall, upon request, promptly furnish to the Authority and the Board copies of all such permits, consents and approvals. The Borrower shall also comply with all applicable lawful program or procedural guidelines or requirements duly promulgated and amended from time to time by the Board in connection with the acquisition, construction, equipping, occupation, operation or use of projects financed from the Fund under the Act, including, but not limited to, those pertaining to the adoption of any requisite sewer use ordinance. The Borrower shall also comply in all respects with all applicable federal laws, regulations and other requirements relating to or arising out of or in connection with the Project and the funding thereof from the Fund, including, but not limited to, the federal "crosscutting" requirements identified in Schedule A of the Commitment Letter. Where noncompliance with such requirements is determined by the Authority or the Board, the issue shall be referred to the proper federal authority or agency for consultation or enforcement action.

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

Section 4.5. Engineering Services. The Borrower shall retain a Consulting Engineer to provide engineering services covering the operation of the System and the supervision and inspection of the construction of the Project. The Consulting Engineer shall certify to the Fund, the Authority and the Board as to the various stages of the completion of the Project as disbursements of Local Bond Proceeds are requested and shall upon completion of the Project

provide to the Fund, the Authority and the Board the certificates required by Sections 4.1 and 4.2.

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

ARTICLE V
PLEDGE, REVENUES AND RATES

Section 5.1. Pledge of Revenues; Rate Covenant. (a) As set forth in Section 615 of the Trust Agreement, all Revenues and all moneys in the funds established by the Trust Agreement and enumerated in Section 615 are trust funds and are pledged equally and ratably to the payment of the principal of and premium, if any, and interest on all Bonds, including the principal of and Cost of Funds on the Local Bond and the payment and performance of the Borrower's obligations under this Agreement, subject only to the right of the Borrower to make application thereof, or to direct the Local Trustee to make application thereof, to other purposes as provided in the Trust Agreement. The lien of this pledge is on a parity with the lien of the pledge securing the Existing Parity Bonds, and shall have priority over all other obligations and liabilities of the Borrower. The lien of this pledge shall be valid and binding against all parties having claims of any kind against the Borrower regardless of whether such parties have notice of this pledge.

(b) The Borrower covenants and agrees that it will fix, charge and collect rates, fees and other charges for the use of and for services furnished by the System and shall, from time to time and as often as shall appear necessary, revise such rates, fees and other charges so as to satisfy the rate covenant provisions set forth in Section 602 of the Trust Agreement, and shall otherwise comply with the provisions of Section 602 of the Trust Agreement.

(c) On or before the last day of each Fiscal Year, the Borrower shall review the adequacy of its rates, fees and other charges for the next Fiscal Year, and, if such review indicates the Borrower's rates, fees and other charges are insufficient to satisfy the rate covenant in Section 5.1(b) above, the Borrower shall promptly take appropriate action to increase its rates, fees and other charges or reduce its Operating Expenses to cure any deficiency.

Section 5.2. Annual Budget. The Borrower shall furnish, or cause the Local Trustee to furnish, to the Authority a copy of the Annual Budget (as described in Section 601 of the Trust Agreement) and any amendments or supplements thereto at the same time such information is filed with the Local Trustee, and shall otherwise comply with the provisions of Section 601 of the Trust Agreement.

Section 5.3. Qualified Independent Consultant's Report. (a) If at the end of any Fiscal Year, the Borrower is not in compliance with the rate covenant made by the Borrower in

Section 5.1(b), within two hundred ten (210) days after the end of such Fiscal Year, the Borrower shall obtain a report from the Qualified Independent Consultant giving advice and making recommendations as to the proper maintenance, repair, replacement and operation of the System for the next ensuing Fiscal Year and estimating the costs thereof as to the rates, fees, and other charges which should be established by the Borrower to satisfy the rate covenant in Section 5.1(b). The Borrower shall promptly furnish a copy of such report to the Authority and, subject to Section 5.3(b), take measures to implement the recommendations of the Qualified Independent Consultant within ninety (90) days of obtaining such report.

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

ARTICLE VI
PAYMENTS

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

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

(ii) one and fifty one-hundredths percent (1.50%) per annum payable as an Annual Administrative Fee.

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

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

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

(1) The costs of the Fund, the Authority, the Department or the Board in connection with the enforcement of this Agreement, including the reasonable fees and expenses of any attorneys used by any of them; and

(2) All expenses incurred by the Fund or the Authority, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof.

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

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

ARTICLE VII
PREPAYMENTS

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

ARTICLE VIII
OPERATION AND USE OF SYSTEM

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

Section 8.2. Maintenance. At its own cost and expense, the Borrower shall operate the System in a proper, sound and economical manner and in compliance with all legal requirements, shall maintain the System in good repair and operating condition and from time to time shall make all necessary repairs, renewals and replacements, and shall otherwise comply with Section 805 of the Trust Agreement.

Section 8.3. Additions and Modifications. At its own expense, the Borrower from time to time may make any renewals, replacements, additions, modifications or improvements to the System which it deems desirable and which do not materially reduce the value of the System or the structural or operational integrity of any part of the System, provided that all such 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 8.4. Use of System. The Borrower shall comply with all lawful requirements of any governmental authority regarding the System, whether now existing or subsequently enacted, whether foreseen or unforeseen or whether involving any change in governmental policy or requiring structural, operational and other changes to the System, irrespective of the cost of making the same.

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

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

Section 8.7. Sale or Encumbrance. No part of the System shall be sold, exchanged, leased, mortgaged, encumbered or otherwise disposed of except as provided in Section 807 of the Trust Agreement.

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

Section 8.9. No Free Service. The Borrower shall not permit connections with or the use of the System, or furnish any services afforded by the System, without making a charge therefor based on the Borrower's uniform schedule of rates, fees and charges; provided, however, that the restrictions contained in this Section shall not apply to buildings or facilities that are owned or operated by the Borrower.

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

Section 8.11. Mandatory Connection. The Borrower shall, consistent with applicable law, require 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, the Borrower may permit the continued use of private systems, meeting the applicable standards of the Board, 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 by the Borrower.

Section 8.12. Lawful Charges. The Borrower shall pay when due all taxes, fees, assessments, levies and other governmental charges of any kind whatsoever (collectively, the "Governmental Charges") which are (i) assessed, levied or imposed against the System or the Borrower's interest in it or (ii) incurred in the operation, maintenance, use and occupancy of the System. The Borrower shall pay or cause to be discharged, or shall make adequate provision to pay or discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon all or any part of the System or the Revenues (collectively, the "Mechanics' Charges"). The Borrower, however, after giving the Authority ten (10) days' notice of its intention to do so, at its own expense and in its own name, may contest in good faith any Governmental Charges or Mechanics' Charges. If such a contest occurs, the Borrower may permit the same to remain unpaid during the period of the contest and any subsequent appeal unless, in the reasonable opinion of the Authority, such action may impair the

lien on Revenues granted by this Agreement, in which event, such Governmental Charges or Mechanics' Charges promptly shall be satisfied or secured by posting with the Authority or an appropriate court a bond in form and amount reasonably satisfactory to the Authority. Upon request, the Borrower shall furnish to the Authority proof of payment of all Governmental Charges and the Mechanics' Charges required to be paid by the Borrower under this Agreement.

ARTICLE IX
INSURANCE, DAMAGE AND DESTRUCTION

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

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

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

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

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

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

Section 9.2. **Requirements of Policies**. All insurance required by Section 9.1 shall be maintained with generally recognized, responsible insurance companies selected by the Borrower and reasonably acceptable to the Authority, and otherwise be in compliance with the

requirements of Section 809 of the Trust Agreement. Such insurance may be written with deductible amounts comparable to those on similar policies carried by other utility systems of like size and character to the System and shall contain an undertaking by the insurer that such policy shall not be modified adversely to the interests of, or canceled without at least thirty (30) days' prior notice to, the Authority. If any such insurance is not maintained with an insurer licensed to do business in Virginia or placed pursuant to the requirements of the Virginia Surplus Lines Insurance Law (Chapter 48, Title 38.2, Code of Virginia of 1950, as amended) or any successor provision of law, the Borrower shall provide evidence reasonably satisfactory to the Authority that such insurance is enforceable under Virginia law.

Section 9.3. **Notice of Damage, Destruction and Condemnation**. In the case of (i) any damage to or destruction of any material part of the System, (ii) a taking of all or any part of the System or any right therein under the exercise of the power of eminent domain, (iii) any loss of the System because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Borrower shall give prompt notice thereof to the Authority describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations, and shall comply with the terms and conditions set forth in Section 811 of the Trust Agreement.

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

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

ARTICLE X
SPECIAL COVENANTS

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

Section 10.2. Financial Records and Statements. The Borrower shall maintain proper books of record and account in which proper entries shall be made in accordance with generally accepted government accounting standards, consistently applied, of all its business and affairs related to the System. The Borrower shall have an annual audit of the financial condition of the Borrower (and at the reasonable request of the Authority, of the System) made in accordance with the terms of Section 912 of the Trust Agreement. The annual audit shall include a supplemental schedule demonstrating whether the Borrower during such Fiscal Year satisfied the rate covenant made by the Borrower in Section 5.1(b). In the event the Borrower expends $750,000 or more in federal funds in any fiscal year, the annual audit shall be conducted in accordance with the provisions of the Single Audit Act of 1984, 31 U.S.C. §§ 7501 et seq., as amended, and the regulations promulgated thereunder, including Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards located at Title 2 of the Code of Federal Regulations Part 200 Subpart F ("SAA Audit"). The Borrower shall furnish to the Authority and the Board copies of such report immediately after it is accepted by the Borrower, and in the event any SAA Audit contains financing and recommendations pertaining to the Fund, the Borrower shall promptly inform the Authority and the Board when corrective actions have been implemented pursuant to such findings and recommendations. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the Borrower's financial position as of the end of such Fiscal Year and the results of the Borrower's operations and changes in the financial position of its funds for the Fiscal Year. The Borrower agrees to file, or to cause the Local Trustee to file, with the Authority each of the documents required to be filed with the Local Trustee pursuant to the Trust Agreement at the time each such document is required to be filed with the Local Trustee.

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

Section 10.4. Additional Indebtedness; Notice to Authority. The Borrower shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by or payable from a pledge of Revenues except in accordance with the terms and conditions of the Trust Agreement. The Borrower agrees to notify the Authority before the issuance of any Bonds as defined in the Trust Agreement.

Section 10.5. Reserved.

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

Section 10.7. Other Indebtedness. The Borrower agrees to pay when due all amounts required by any Subordinate Bonds, Parity Bonds, Existing Parity Bonds and Prior Bonds and to perform all of its obligations in connection therewith.

Section 10.8. Assignment by Borrower. The Borrower may not assign its rights under this Agreement without the prior written consent of the Authority, the Board and the Local Trustee. If the Borrower desires to assign its rights under this Agreement to another "local government" (as defined in the Act), the Borrower shall give notice of such fact to the Authority, the Board and the Local Trustee. If the Authority, the Board and the Local Trustee consent to the proposed assignment, the Borrower may proceed with the proposed assignment, but such assignment shall not become effective until the Authority, the Board and the Local Trustee are furnished (i) an assumption agreement in form and substance satisfactory to the Authority, the Board and the Local Trustee by which the assignee agrees to assume all of the Borrower's obligations under the Local Bond and this Agreement, and (ii) an Opinion of Counsel to the assignee, subject to customary exceptions and qualifications, that the assumption agreement, the Local Bond and this Agreement constitute legal, valid and binding obligations of the assignee enforceable against the assignee in accordance with their terms and that the assignment and assumption comply in all respects with the provisions of this Agreement and the Trust Agreement. Notwithstanding the foregoing, the assignment of the rights of the Borrower under the Local Bond and this Agreement or the assumption of the obligations thereunder by the assignee shall in no way be construed as releasing the Borrower's obligations.

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

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

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

(ii) operating data of the type set forth in Exhibit G.

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

"Leveraging Bonds" means the bonds and other evidences of indebtedness issued and sold by the Authority pursuant to the Virginia Resources Authority Act, Chapter 21, Title 62.1 of the Code of Virginia (1950), as amended, the Act, and any successor provisions of law, including without limitation the bonds and other evidences of indebtedness issued by the Authority under the Second Amended and Restated Master Indenture of Trust dated as of September 1, 2020, between the Authority and U.S. Bank Trust Company, National Association, as trustee, as supplemented and amended.

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

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

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

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

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

"SEC" means the U.S. Securities and Exchange Commission.

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

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

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

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

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

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on any credit enhancement reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations with respect to the tax status of the Local Bond, or other events affecting the tax status of the Local Bond;

(7) modifications to rights of the holders of the Local Bond;

(8) bond calls and tender offers;

(9) defeasances of all or any portion of the Local Bond;

(10) release, substitution, or sale of property securing repayment of the Local Bond;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Borrower*;

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

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

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

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* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower.

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

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

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

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

(h) (1) If the Borrower fails to comply with any covenant or obligation set forth in this Section, any holder (within the meaning of the Rule) of Leveraging Bonds then Outstanding may, by notice to the Borrower, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Borrower's covenants or obligations set forth in this Section.

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

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

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

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

Section 10.10. Tax Covenants. The Borrower shall not directly or indirectly use or permit the use of any of the proceeds of the Local Bond or any other of its funds, in such manner as would, or enter into, or allow any other person or entity to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would, cause interest on any of the Related Series of VRA Bonds to be includable in gross income for federal income tax purposes or to become a specific item of tax preference for purposes of the federal alternative minimum income tax. The Borrower agrees to perform all duties imposed upon it by the Tax Compliance Agreement. Insofar as the Tax Compliance Agreement imposes duties and responsibilities on the Borrower, including the payment of any arbitrage rebate in respect of any Related Series of VRA Bonds, as of the Closing Date such duties and responsibilities are specifically incorporated by reference into this Agreement.

Section 10.11. Davis-Bacon Act. The Borrower agrees to comply with the Davis-Bacon Act and related acts, as amended, with respect to the Project and require that all laborers and mechanics employed by contractors and subcontractors for the Project shall be paid wages at rates not less than those prevailing on projects of a similar character, as determined by the United States Secretary of Labor in accordance with Section 1450(e) of the Safe Drinking Water Act and related acts, as amended.

Section 10.12. Service Agreements. The Borrower shall give prompt notice to the Authority of any renewal, extension, amendment, default or termination of any of the Service Agreements. The Borrower shall enforce the terms of such agreements and use its best efforts to ensure that such agreements remains in full force and effect during the term of this Agreement.

Section 10.13. Compliance with Trust Agreement. (a) The Borrower shall (i) comply with the terms and conditions of the Trust Agreement, (ii) furnish to the Authority a copy of any amendments or supplements to the Trust Agreement promptly upon the execution and delivery thereof, and (iii) give notice to the Authority immediately upon becoming aware of any event of default thereunder. The applicability of any and all references herein to the terms, conditions and covenants set forth in the Trust Agreement (as amended or supplemented) shall remain in full force and effect for so long as any amount remains due and payable by the Borrower to the Authority under the terms and conditions of this Agreement or the Local Bond.

(b) In the event that the Borrower makes any unscheduled transfers between the funds established by the Trust Agreement either (i) not in the ordinary course of business or (ii) as a result of financial difficulties, the Borrower shall send notice to the Authority in a timely manner not in excess of ten (10) business days after such transfer.

Section 10.14. Build America, Buy America Act. The Borrower agrees to comply with all federal requirements imposed by the Infrastructure Investment and Jobs Act, P.L. 117-58 and related United States Environmental Protection Agency ("EPA") guidelines, as amended and supplemented and in effect from time to time, which the Borrower understands includes, but is not limited to, the following requirements: that all of the iron and steel products, manufactured products, and construction materials used in the Project are to be produced in the United States unless (1) the Borrower has requested and obtained an appropriate federal agency waiver

pertaining to the Project or the Project is otherwise covered by a general applicability waiver; or (2) all of the contributing federal agencies have otherwise advised the Borrower in writing that the foregoing requirements are not applicable to the Project. In the event that one of the above exceptions applies to the Project, the Borrower agrees to comply with all federal requirements imposed by the Consolidated Appropriations Act, P.L. 113-76 and related EPA guidelines, as amended and supplemented and in effect from time to time, with respect to the Project, which the Borrower understands includes, but is not limited to, the requirement that all iron and steel products used for the Project are to be produced in the United States.

Section 10.15. Recordkeeping and Reporting. The Borrower agrees to comply with all recordkeeping and reporting requirements all applicable legal authorities, including any reports required by the contributing federal agencies or the Authority, such as performance indicators of program deliverables, information on costs and progress with respect to the Project. The Borrower acknowledges that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities, and (ii) failure to comply with the applicable legal requirements and this Agreement may result in a default hereunder that results in a repayment in advance of the maturity of the Local Bond and/or other remedial actions.

Section 10.16. Prohibition on Telecommunications Services or Equipment. The Borrower agrees to comply with all federal requirements imposed by 2 C.F.R. § 200.216, implementing P.L. 115-232, Section 889, as amended and supplemented and in effect from time to time, with respect to the Project. Such requirements include, among other things, that the Borrower is prohibited from obligating or expending the Local Bond Proceeds to procure or obtain; extend or renew a contract to procure or obtain; or enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that use certain covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system.

Section 10.17. Reporting Fraud; Whistleblower Protections. In the performance of this Agreement, and in accordance with applicable federal law, the Borrower warrants that it will promptly disclose whenever, in connection with this Agreement, it has credible evidence of the commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act (31 U.S.C. §§ 3729-3733). The Borrower agrees to make such disclosure in writing to the applicable federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable). The Borrower agrees to also report matters related to recipient integrity and performance as required under 2 CFR § 200.113. The Borrower agrees to post in conspicuous places details on how to report such violations or otherwise establish a mechanism by which employees of the Borrower may report such violations. The Borrower further agrees to notify employees in writing of whistleblower rights and protections available under federal law.

Section 10.18. Additional Federal Requirements. In addition to the various federal requirements set forth in other Sections of this Agreement, the Borrower agrees to comply, and to require that all contractors, subcontractors, and other applicable parties for the Project comply, to the extent appropriate, with all other applicable federal laws, regulations, EPA guidelines, and

other requirements, as amended and supplemented and in effect from time to time, relating to or arising out of or in connection with the Project and the funding thereof from federal financial assistance, including, but not limited to, Disadvantaged Business Enterprise requirements (40 CFR Part 33), Equal Employment Opportunity requirements (EO 11246), and Debarment and Suspension prohibitions (EO 12549).

ARTICLE XI
DEFAULTS AND REMEDIES

Section 11.1. Events of Default. An "Event of Default" for purposes of this Agreement and the Local Bond shall have the meaning given such term in the Trust Agreement. Without limiting the foregoing, the covenants, conditions and agreements of this Agreement shall be deemed covenants, conditions and agreements of the "Bonds" under the Trust Agreement for purposes of Section 1001 of the Trust Agreement.

Section 11.2. Notice of Default. The Borrower agrees to give the Authority prompt written notice of the occurrence of any event or condition which constitutes a Default or an Event of Default immediately upon becoming aware of the existence thereof.

Section 11.3. Other Remedies. Upon the occurrence and continuation of an Event of Default, and subject to Article X of the Trust Agreement, the Authority may proceed to protect and enforce its rights by mandamus or other action, suit or proceeding at law or in equity for specific performance of any agreement contained in the Local Bond or this Agreement. No remedy conferred by this Agreement upon or reserved to the registered owners of the Local Bond 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 Authority under this Agreement or now or hereafter existing at law or in equity or by statute.

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

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

ARTICLE XII
MISCELLANEOUS

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

Section 12.2. Amendments. The Authority and the Borrower, with the written consent of the Department, shall have the right to amend from time to time any of the terms and conditions of this Agreement, provided that all amendments shall be in writing and shall be signed by or on behalf of the Authority and the Borrower; provided, however, that the written consent of the Department shall not be required for the Authority and the Borrower to amend Articles I, V, IX and XI or Sections 10.4, 10.9, 10.10, 10.13 and 10.15 of this Agreement.

Section 12.3. Limitation of Borrower's Liability. Notwithstanding anything in the Local Bond or this Agreement to the contrary, the Borrower's obligations are not its general obligations, but are limited obligations payable solely from the Revenues which are specifically pledged for such purpose. Neither the Local Bond nor this Agreement shall be deemed to create or constitute a debt or a pledge of the faith and credit of the Borrower, and the Borrower shall not be obligated to pay the principal of or Costs of Funds on the Local Bond or other costs incident thereto except from the Revenues and other funds pledged therefor. In the absence of fraud, no present or future director, official, officer, employee or agent of the Borrower shall be liable personally in respect of this Agreement or the Local Bond or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bond.

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

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

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

Fund: Virginia Water Supply Revolving Fund
c/o Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, VA 23219

Attention: Executive Director

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

Board: Virginia Department of Health
109 Governor Street
Richmond, VA 23219
Attention: State Health Commissioner

Borrower: City of Danville, Virginia
P.O. Box 3300
Danville, VA 24543
Attention: City Manager

Local Trustee: U.S. Bank Trust Company, National Association
Three James Center
1051 East Cary Street, Suite 600
Richmond, VA 23219
Attn: Corporate Trust Division

A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. The Authority and the Borrower may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

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

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

Section 12.9. Term of Agreement. This Agreement shall be effective upon its execution and delivery, provided that the Local Bond previously or simultaneously shall have been executed and delivered. Except as otherwise specified, the Borrower's obligations under

the Local Bond and this Agreement shall expire upon payment in full of the Local Bond and all other amounts payable by the Borrower under this Agreement.

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

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

[Signature Page Follows]

WITNESS the following signatures, all duly authorized.

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

By: _____
Shawn B. Crumlish, Executive Director

CITY OF DANVILLE, VIRGINIA

By: _____

Its: _____

EXHIBIT A

FORM OF LOCAL BOND
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

[To Come from Borrower's Bond Counsel]

EXHIBIT B

PROJECT DESCRIPTION
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

The Project involves financing the City of Danville Lead Service Line Identification and Replacement project, together with related expenses.

EXHIBIT C

PROJECT BUDGET
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

[To Come]

EXHIBIT D

OPINION OF BORROWER'S BOND COUNSEL
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

[To Come from Borrower's Bond Counsel]

EXHIBIT E

REQUISITION FOR DISBURSEMENT
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

(To Be on Borrower's Letterhead)

[Date]

Anthony Hess, Division Director
Financial & Construction Assistance Programs (FCAP)
Office of Drinking Water
Virginia Department of Health, Lexington Field Office
131 Walker Street
Lexington, VA 24450

Re: Virginia Water Supply Revolving Fund
City of Danville, Virginia
Loan No. BIL 67L-23

Dear Mr. Hess:

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

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

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

oversight for compliance with the Davis-Bacon Act and related acts through (a) the review of payrolls and associated certifications, and (b) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products included in this request (x) satisfy compliance with federal requirements imposed by the Infrastructure Investment and Jobs Act (including Build America, Buy America requirements) or (y) satisfy the appropriate requirements for iron and steel products included in the Agreements, as applicable.

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

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

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

Sincerely,

By: _____
(Authorized Representative of the Borrower)

Attachments

cc: VDH Project Engineer (with all attachments)

CERTIFICATE OF THE CONSULTING ENGINEER
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

Loan No. BIL 67L-23

This Certificate is submitted in connection with Requisition Number ___, dated _____, 20__, submitted by the City of Danville, Virginia. Capitalized terms used herein shall have the same meanings set forth in Article I of the Agreements.

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

SEAL

_____
[Consulting Engineer]

By: _____

Date: _____

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

REQUISITION # _____
BORROWER: CITY OF DANVILLE, VIRGINIA
LOAN NUMBER: BIL 67L-23
CERTIFYING SIGNATURE: _____
TITLE: _____

Cost Category	Amount Budgeted	Previous Disbursements	Expenditures This Period	Total Expenditures to Date	Net Balance Remaining
TOTALS:					

Total Loan Amount $_____
Previous Disbursements $_____
This Request $_____
Loan Proceeds Remaining $_____

EXHIBIT F

PRIOR BONDS AND EXISTING PARITY BONDS
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

[To Be Updated By Bond Counsel]

Prior Bonds:

None

Existing Parity Bonds:

$6,480,000 Taxable Utility System Revenue Bond, Series 2023

$11,420,000 Taxable Utility System Revenue Bond, Series 2024

EXHIBIT G

OPERATING DATA
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

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

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

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

EXHIBIT H

FORM OF CERTIFICATION AS TO NO DEFAULT AND TAX COMPLIANCE
CITY OF DANVILLE, VIRGINIA

BIL 67L-23

(To Be on Borrower's Letterhead)

[Date]

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

Dear Mr./Ms. _____:

In accordance with Section 10.3 of the Financing Agreement dated as of _____ 1, 2025 (the "Financing Agreement") between Virginia Resources Authority, as Administrator of the Virginia Water Supply Revolving Fund, and the City of Danville, Virginia (the "Borrower"), 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 11.1 of the Financing Agreement.] [If an Event of Default has occurred, please specify the nature and period of such Event of Default and what action the Borrower has taken, is taking or proposes to take to rectify it].
2. [The ownership and status of all or a portion of the Related Financed Property has not changed since the Closing Date.] [If untrue, please describe.]

3. [Neither the Related Financed Property nor any portion thereof is being used by a Nongovernmental Person pursuant to a lease, an incentive payment contract or a take-or-pay or other output-type contract.] [If untrue, please describe.]

4. [Neither the Related Financed Property nor any portion or function thereof is being used pursuant to or is otherwise subject to a Service Contract that does not satisfy the requirements of Revenue Procedure 2017-13.] [If untrue, please describe.]

5. [Other than as may be described in paragraphs 2, 3 and 4 above and other than the contracts identified on Schedule D to the Tax Compliance Agreement, neither the Related Financed Property nor any portion or function thereof nor any portion of the Proceeds is being used for a Private Business Use.] [If untrue, please describe.]

6. [The Borrower has not used or permitted the use of any Proceeds of the Local Bond directly or indirectly to make a loan to an ultimate borrower other than itself within the meaning of Section 4.3 of the Tax Compliance Agreement.] [If untrue, please describe.]

7. [Other than any amounts described in the Tax Compliance Agreement (as defined in the Financing Agreement), between the Authority and the Borrower and amounts that may constitute or be on deposit in a Bona Fide Debt Service Fund, there neither have been nor are now any moneys, securities, obligations, annuity contracts, residential rental property, AMT Bonds, investment-type property, Sinking Funds, Pledged Funds, or other Replacement Proceeds accumulated or held or pledged as security by the Borrower or any other Substantial Beneficiary of the Local Bond as security for or the direct or indirect source of the payment of the principal of or interest on the Local Bond.] [If untrue, please describe.]

8. [The Borrower is in compliance with the recordkeeping requirements of Section 4.8 of the Tax Compliance Agreement.] [If untrue, please describe.]

9. [Other than as may be described above, the Borrower is not in default of any of its obligations under the Tax Compliance Agreement.] [If untrue, please describe.]

10. Unless otherwise defined herein, each capitalized term used herein has the meaning set forth in the Tax Compliance Agreement.

Sincerely,

[Insert Name]
Authorized Representative

FOURTH SUPPLEMENTAL AGREEMENT OF TRUST

between

CITY OF DANVILLE, VIRGINIA

and

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

Dated as of [_____ __], 2026

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THIS FOURTH SUPPLEMENTAL AGREEMENT OF TRUST dated as of [_____ __], 2026 (the "Fourth Supplemental Agreement"), by and between the **CITY OF DANVILLE, VIRGINIA**, a municipal corporation of the Commonwealth of Virginia (the "City"), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association, 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 March 31, 2023 (as previously supplemented, 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, the City has previously issued its $6,480,000 Taxable Utility System Revenue Bond, Series 2023 (the "Series 2023 Bond"), its $11,420,000 Taxable Utility System Revenue Bond, Series 2024 (the "Series 2024 Bond"), and its $_____ Taxable Utility System Revenue Bond, Series 2026[A], pursuant to the Master Trust Agreement;

WHEREAS, the City is not in default under the Master Trust Agreement or in the payment of the principal of or interest on the Series 2023 Bond, the Series 2024 Bond or the Series 2026[A] Bond;

WHEREAS, pursuant to and in accordance with the Master Trust Agreement, the City has determined to issue, on parity with the Series 2023 Bond, the Series 2024 Bond, and the Series 2026[A] Bond, its Taxable Utility System Revenue Bond, Series 2026B, in the aggregate principal amount not to exceed $_____ (the "Series 2026[B][C] Bond"), to finance capital improvement projects for the City's water, sewer, electric and gas utility systems, including but not limited to _____ (collectively, the "Series 2026[B][C] Project") and to pay related costs of issuance;

WHEREAS, the City has taken all necessary action to make the Series 2026[B][C] Bond, when authenticated by the Trustee and issued by the City, a valid and binding limited obligation of the City and to constitute this Fourth Supplemental Agreement a valid and binding agreement authorizing and providing for the details of the Series 2026[B][C] Bond;

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

ARTICLE I

FOURTH SUPPLEMENTAL AGREEMENT

Section 4.101 Authorization of Fourth Supplemental Agreement. This Fourth 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 2026[B][C] Bond and to the holder thereof, except as otherwise provided in this Fourth Supplemental Agreement.

Section 4.102 Definitions. Except as otherwise defined in this Fourth Supplemental Agreement, terms defined in the Master Trust Agreement are used in this Fourth Supplemental Agreement with the same meanings assigned to them in the Master Trust Agreement. In addition, the following words as used in this Fourth Supplemental Agreement shall have the following meanings unless a different meaning clearly appears from the context:

"Cost of Funds" shall have the meaning given to it in the Financing Agreement.

"Financing Agreement" shall mean the Financing Agreement dated as of _____, 2026, between the City and VRA, as supplemented or amended from time to time.

"Fourth Supplemental Agreement" shall mean this Fourth 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 2026 Financing Agreement.

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

"Series 2026[B][C] Bond" shall mean the City's $_____ Taxable Utility System Revenue Bond, Series 2026B, authorized to be issued pursuant to this Fourth Supplemental Agreement in the aggregate principal amount of $_____ or such lesser amount loaned by VRA under the Financing Agreement.

"Series 2026[B][C] Project" shall have the meaning set forth in the recitals hereto.

["Tax Compliance Agreement" shall mean the Nonarbitrage Certificate and Tax Compliance Agreement dated the date of issuance of the Series 2026[B] Bond, between the City and VRA.]

"VRA" shall mean the Virginia Resources Authority, a public body corporate and political subdivision of the Commonwealth of Virginia, acting in its capacity as administrator of its Virginia Water Facilities Revolving Fund.

Section 4.103 Reference to Articles and Sections. Unless otherwise indicated, all references herein to particular articles or sections are references to articles or sections of this Fourth Supplemental Agreement.

ARTICLE II

AUTHORIZATION, DETAILS AND FORM OF SERIES 2026[B][C] BOND

Section 4.201 Authorization of Series 2026[B][C] Bond. There is hereby authorized to be issued a utility system revenue bond of the City consisting of a single bond in the aggregate principal amount of $_____ or such lesser amount loaned to the City by VRA under the Financing Agreement to finance the Series 2026[B][C] Project. The Series 2026[B][C] Bond shall be issued pursuant to the Master Agreement of Trust, this Fourth Supplemental Agreement and the Financing Agreement.

Section 4.202 Details of Series 2026[B][C] Bond.

(a) The Series 2026[B][C] Bond shall be dated the date of issuance, shall be issuable only as a fully registered single typewritten bond, shall be in a denomination of $_____ or such lesser amount loaned to the City by VRA under the Financing Agreement, shall be numbered R-1 and shall bear Cost of Funds at an annual rate of ___%. The Cost of Funds only on all amounts disbursed under the Series 2026[B][C] Bond shall be due and payable on _____. Commencing _____, ____, and continuing semi-annually thereafter on _____ and _____ in each year, principal and Cost of Funds due under the Series 2026[B][C] Bond shall be payable in equal installments of $_____ with a final installment of $_____ due and payable on _____, ____, when, if not sooner paid, all amounts due under the Series 2026[B][C] Bond shall be due and payable in full. Each installment shall be applied first to payment of the Cost of Funds accrued and unpaid to the payment date and then to principal. If the amount loaned under the Financing Agreement is less than $_____, the payments shall be adjusted as set forth in Article VI of the Financing Agreement, with notice to the Trustee.

(b) The City agrees to make any Additional Payments as defined in Section 6.2 of the Financing Agreement, upon demand of VRA.

(c) If any installment of principal of or Cost of Funds on the Series 2026[B][C] Bond or Additional Payments is not paid within ten (10) days after its due date, the City agrees to pay the registered owner on demand a late payment charge in an amount equal to five percent (5.00%) of the overdue installment.

(d) Installment payments on the Series 2026[B][C] Bond shall be payable by check or draft mailed to the registered owner at its address as it appears on the 15th day of the month preceding the payment date on the registration books kept by the Trustee; provided, however, at the written request and expense of a registered owner of at least $100,000 of the Series 2026[B][C] Bond, payment shall be made by wire transfer pursuant to the wire instructions received by the Trustee from such registered owner. Notwithstanding the foregoing, as long as VRA is the registered owner of the Series 2026[B][C] Bond, payments of principal and Cost of Funds may be paid to such owner by wire transfer or federal funds check or other immediately available funds acceptable to the Trustee. Principal and Cost of Funds shall be payable in lawful money of the United States of America.

Section 4.203 Payment Provisions of Series 2026[B][C] Bond; Appointment of Registrar.

(a) The Series 2026[B][C] Bond shall be payable solely from Revenues, and nothing in the Financing Agreement, the Series 2026[B][C] Bond or this Fourth 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.

(b) The Trustee is hereby appointed Registrar for the Series 2026[B][C] Bond. Except as otherwise provided herein, the Series 2026[B][C] Bond shall be payable, executed,

authenticated, registrable, exchangeable and secured, all as set forth in the Master Trust Agreement.

Section 4.204 Form of Series 2026[B][C] Bond. The Series 2026[B][C] 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 Fourth Supplemental Agreement. The terms and provisions of the Series 2026[B][C] Bond that are set forth in Exhibit A shall be deemed to be incorporated into this Fourth Supplemental Agreement as though fully set forth herein.

Section 4.205 Delivery of Series 2026[B][C] Bond. The Trustee shall authenticate and deliver the Series 2026[B][C] 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 2026[B][C] BOND

Section 4.301 Prepayment of Series 2026[B][C] Bond. The Series 2026[B][C] Bond shall be subject to prepayment prior to maturity in accordance with the provisions set forth in [Section 7.1] of the Financing Agreement. The notice provisions set forth in Section 402 of the Master Trust Agreement shall not apply to the Series 2026[B][C] Bond.

ARTICLE IV

APPLICATION OF PROCEEDS OF SERIES 2026[B][C] BOND

Section 4.401 Application of Proceeds of Series 2026[B][C] Bond.

(a) [The proceeds of the initial principal advance under the Series 2026[B][C] Bond in the amount of $_____ shall be paid directly to the City and applied to pay the Cost of the Series 2026[B][C] Project.]

(b) The proceeds of all future principal advances under the Series 2026[B][C] Bond shall be requisitioned as and when needed from VRA in accordance with requisitions meeting the requirements of Section 4.1 of the Financing Agreement, without regard to the provisions of Article V of the Master Trust Agreement,. Such proceeds shall be used to pay the costs of the Series 2026[B][C] Project and costs incurred in issuing the Series 2026[B][C] Bond. Such proceeds, as and when requisitioned, may be paid directly to the City, and no deposit shall be required to the Construction Fund established under Section 501 of the Master Trust Agreement. The Trustee hereunder shall be provided copies of any monthly reports and other statements provided to the City by VRA with respect to all principal advances made under the Series 2026[B][C] Bond.

ARTICLE V

SECURITY FOR SERIES 2026[B][C] BOND

Section 4.501 Security for Series 2026[B][C] Bond.

(a) The Series 2026[B][C] Bond shall be issued pursuant to the Master Trust Agreement and this Fourth Supplemental Agreement and shall be equally and ratably secured under the Master Trust Agreement with the Series 2023 Bond, the Series 2024 Bond, the Series 2026[A] Bond, and any additional Bonds or other Senior Debt 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 2026[B][C] Bond, and no debt service reserve fund or account has been established or funded in connection with the issuance of the Series 2026[B][C] Bond.

ARTICLE VI

MISCELLANEOUS

Section 4.601 [Limitations on Use of Proceeds. The City covenants with the holder of the Series 2026[B] Bond to use the proceeds of the Series 2026[B] Bond in accordance with the provisions of the Financing Agreement and the Tax Compliance Agreement.]

Section 4.602 Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Fourth Supplemental Agreement or the Series 2026[B][C] Bond is intended or shall be construed to give to any person other than the parties hereto and the holder of Series 2026[B][C] Bond any legal or equitable right, remedy or claim under or in respect to this Fourth Supplemental Agreement or any covenants, conditions and agreements herein contained since this Fourth 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 2026[B][C] Bond as herein provided.

Section 4.603 [Incorporation by Reference of Financing Agreement. For so long as the Series 2026[B][C] Bond shall be deemed Outstanding, the provisions and covenants of the Financing Agreement shall be incorporated by reference in this Fourth Supplemental Agreement and shall be treated as if set forth herein.]

Section 4.604 Requirements Particular to VRA. [For so long as the Series 2026[B][C] Bond shall be deemed Outstanding, any notices required under the terms of the Master Trust Agreement or this Fourth Supplemental Agreement to be provided by the City to the Trustee shall also be provided to VRA as holder of the Series 2026[B][C] Bond.]

Section 4.605 Severability. If any provision of this Fourth Supplemental Agreement shall be held invalid by any court of competent jurisdiction, such holding shall not invalidate any other

provision hereof and this Fourth Supplemental Agreement shall be construed and enforced as if such illegal provision had not been contained herein.

Section 4.606 Successors and Assigns. This Fourth Supplemental Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 4.607 Applicable Law. This Fourth Supplemental Agreement shall be governed by the applicable laws of the Commonwealth.

Section 4.608 Counterparts. This Fourth 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.

Section 4.609 U.S.A. Patriot Act and Freedom Act Requirements of the 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.

[THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY]

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

CITY OF DANVILLE, VIRGINIA

By:_____
Kenneth F. Larking
City Manager

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

By:_____
Authorized Officer

EXHIBIT A

FORM OF SERIES 2026[B][C] BOND

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

R-1 **[____ __], 2026**

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF DANVILLE, VIRGINIA

TAXABLE UTILITY SYSTEM REVENUE BOND, SERIES 2026B

REGISTERED OWNER: VIRGINIA RESOURCES AUTHORITY, as administrator of the Virginia Water Facilities Revolving Fund

The **City of Danville, Virginia** (the "City"), a municipal corporation of the Commonwealth of Virginia (the "Commonwealth"), for value received, acknowledges itself in debt and promises to pay to Virginia Resources Authority, as administrator of the Virginia Water Facilities Revolving Fund 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 equal to the sum of the principal advances shown on the Certificate of Principal Advances below, but not to exceed _____ DOLLARS ($_____) and the Cost of Funds (as defined in the Financing Agreement) on the unpaid principal from the date of each advance made and noted on the Certificate of Principal Advances.

The Cost of Funds of this bond shall be computed on the disbursed principal balance hereof from the date of each disbursement at the rate of ___% per year (including the part hereof allocable to the annual administrative fee), calculated on the basis of a 360-day year of twelve 30-day months. The Cost of Funds only is due on _____, ____. Installments of combined principal and Cost of Funds of $_____ shall be payable beginning on _____, ____, and continuing on each _____ and _____ thereafter, with a final installment of $_____ due on _____, ____, each installment to be applied first to payment of the Cost of Funds accrued to such payment date and then to principal. If principal disbursements up to $_____ are not made, the principal amount due on this bond shall not include such undisbursed amount. If not sooner paid, all amounts due under this bond shall be due and payable on _____, ____.

No notation is required to be made on this bond of any payment or prepayment of principal. THEREFORE, THE FACE AMOUNT OF THIS BOND MAY EXCEED THE PRINCIPAL SUM REMAINING OUTSTANDING AND DUE HEREUNDER.

Installments are payable by check or draft mailed to the registered owner hereof at its address as it appears on the 15th day of the month preceding the payment date on the registration

books kept by the Trustee provided that, at the written request and expense of the owner of at least $100,000 principal amount of this bond (which request may provide that it will remain in effect with respect to subsequent payment dates unless and until changed or revoked at any time prior to a payment date by subsequent notice to the Trustee), payment shall be made by wire transfer pursuant to the wire instructions received by the Trustee from such registered owners. Notwithstanding the foregoing, as long as VRA is the registered beneficial owner of this bond, payments of principal and Cost of Funds may be paid to such owner by wire transfer or federal funds check or other immediately available funds. Principal and Cost of Funds shall be payable in lawful money of the United States of America.

If any installment of principal or Cost of Funds on this bond is not paid to the registered owner hereof within ten days after its due date, the City shall pay to the registered owner of this bond a late payment charge in an amount equal to five percent (5%) of the overdue installment.

This bond (a) has been authorized by an ordinance adopted by the Council of the City on _____, 2026, 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 _____, 2026, and (iii) an Agreement of Trust dated as of March 31, 2023, between the City and the Trustee, as previously supplemented and as further supplemented by a Fourth Supplemental Agreement of Trust dated as of _____, 2026 (collectively, the "Trust Agreement"). This bond is also issued in accordance with the terms of a Financing Agreement dated as of _____, 2026 (the "Financing Agreement"), between the City and VRA, which provides for funds to be advanced thereunder by VRA and loaned to the City.

This bond is secured equally and ratably on a parity with the City's outstanding Taxable Utility System Revenue Bond, Series 2023 (the "Series 2023 Bond"), its Taxable Utility System Revenue Bond, Series 2024 (the "Series 2024 Bond"), and its Taxable Utility System Revenue Bond, Series 2026[A].. Additional bonds secured by a pledge of Revenues (as defined in the Trust Agreement) on a parity with this bond, the Series 2023 Bond, the Series 2024 Bond and the Series 2026[A] Bond may be issued under the terms and conditions set forth in the Trust 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 finance capital improvement projects for the City's water, sewer, electric and gas utility systems, including but not limited to _____

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 Cost of Funds 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 Cost of Funds on this bond or other costs incident thereto.

[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 Cost of Funds 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 Cost of Funds 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 Cost of Funds 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 by 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 2026[B][C] 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.

CERTIFICATE OF PRINCIPAL ADVANCES

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

Amount	Date	Authorized Signature

FUNDING AGREEMENT

dated as of _____ 1, 2025

BETWEEN

VIRGINIA RESOURCES AUTHORITY,

as Administrator of the
Virginia Water Supply Revolving Fund

AND

CITY OF DANVILLE, VIRGINIA

Virginia Resources Authority
Virginia Water Supply Revolving Fund

CFDA No. 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
Federal Award No. [4D-95331801]
U.S. Environmental Protection Agency

Loan No. BIL 67L-23

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EXHIBITS

Exhibit A. Project Description
Exhibit B. Project Budget
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FUNDING AGREEMENT

THIS FUNDING AGREEMENT is dated as of this first day of _____, 2025, between the **VIRGINIA RESOURCES AUTHORITY**, as administrator of the Virginia Water Supply Revolving Fund, a public body corporate and a political subdivision of the Commonwealth of Virginia (the "Authority") and the **CITY OF DANVILLE, VIRGINIA**, a public body politic and corporate of the Commonwealth of Virginia (the "Locality").

Pursuant to Chapter 23, Title 62.1, Code of Virginia of 1950, as amended (the "Act"), the General Assembly created a fund known as the "Virginia Water Supply Revolving Fund" (the "Fund"). In conjunction with the Virginia Board of Health (the "Board"), the Authority administers and manages the Fund. Following consultation with the Authority, the Board from time to time directs the distribution of monies to local governments in Virginia to finance the "costs" of "projects" within the meaning of Section 62.1-233 of the Act.

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

ARTICLE I
DEFINITIONS

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

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

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

"Consulting Engineer" means the engineer or the firm of independent consulting engineers of recognized standing and experienced in the field of water system and sanitary sewer engineering and registered to do business in Virginia which is designated by the Locality from time to time as the Locality's consulting engineer for the Project in a written notice to the Authority. Such individual or firm shall be subject to the reasonable approval of the Authority. Unless and until the Authority notifies the Locality otherwise, any of the Locality's employees that are licensed and registered as professional engineers in the Commonwealth of Virginia may serve as Consulting Engineer under this Agreement.

"Department" means the Virginia Department of Health, created and acting under Chapter 1, Title 32.1, of the Code of Virginia of 1950, as amended.

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

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

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

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

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

ARTICLE II
SCOPE OF SERVICES

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

ARTICLE III
TIME OF PERFORMANCE

The Locality's work on the Project will be completed on or before _____, 20__.

ARTICLE IV
FUNDING; NATURE OF TRANSACTION

The Locality shall be reimbursed for the payment of Project Costs, in an amount not to exceed $_____, for the purposes set forth in the Project Description and Project Budget, a portion of which may be made from federal financial assistance. Disbursement of funds will be in accordance with the payment provisions set forth in Section 4.1 and the Project Budget.

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

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

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

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

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

Except as may otherwise be approved by the Department, disbursements shall be held at ninety-five percent (95%) of the total funding amount to ensure satisfactory completion of the Project. Upon receipt from the Locality of the certificate specified in Section 4.2 and a final requisition detailing all retainages to which the Locality is then entitled, the Authority, to the extent approved by the Department and subject to the provisions of this Section and Section 4.2, will disburse to the Locality the remaining funds.

Section 4.2. Agreement to Accomplish Project. The Locality agrees to cause the Project to be acquired, constructed, expanded, renovated or equipped as described in **Exhibit A** and in accordance with plans and specifications prepared by the Consulting Engineer and approved by the Department. The Locality shall use its best efforts to complete the Project by the date set forth in Article III of this Agreement.

When the Project has been completed, the Locality shall promptly deliver to the Authority and the Department a certificate signed by an Authorized Representative of the Locality and by the Consulting Engineer stating (i) that the Project has been completed

substantially in accordance with the approved plans and specifications and addenda thereto, and in substantial compliance with all material applicable laws, ordinances, rules and regulations, (ii) the date of such completion, (iii) that all required certificates of occupancy and permits for operation of the Project have been issued or obtained, and (iv) the amount, if any, to be reserved for payment of the final Project Costs.

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

ARTICLE V
GENERAL PROVISIONS

Section 5.1. Liability Insurance. The Locality shall take out and maintain during the life of this Agreement such general and bodily injury liability and property damage liability insurance as shall protect it from claims for damages for personal injury, including death, as well as from claims for property damage, which may arise from the Locality's activities under this Agreement.

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

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

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

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

(c) In the event of a breach by the Locality of this Agreement, the Authority shall have the right immediately to terminate this Agreement. In the alternative, the Authority, the

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

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

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

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

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

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

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

(b) In the performance of this Agreement, and in accordance with applicable federal law, the Locality warrants that it will promptly disclose whenever, in connection with this Agreement, it has credible evidence of the commission of a violation of federal criminal law involving fraud, conflict of interest, bribery, or gratuity violations found in Title 18 of the United States Code or a violation of the civil False Claims Act (31 U.S.C. §§ 3729-3733). The Locality agrees to make such disclosure in writing to the applicable federal agency, the agency's Office of Inspector General, and pass-through entity (if applicable). The Locality agrees to also report matters related to recipient integrity and performance as required under 2 CFR § 200.113. The Locality agrees to post in conspicuous places details on how to report such violations or

otherwise establish a mechanism by which employees of the Locality may report such violations. The Locality further agrees to notify employees in writing of whistleblower rights and protections available under federal law.

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

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

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

Section 5.10. Conflict of Interest. The Locality warrants that it has fully complied with the Virginia Conflict of Interests Act in connection with this Agreement and the Project funded hereby.

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

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

Section 5.13. Governmental Requirements. (a) The Locality agrees to comply with all applicable governmental requirements pertaining to the Project and the use and application of funds provided hereunder, including but not limited to, the Virginia Waterworks Regulations, 9 VAC 5-590 et seq., as amended, and the requirements and provisions identified in the Virginia

Public Procurement Act, Va. Code §§ 2.2-4300 et seq., as amended, when procuring professional or construction services for work identified in this Agreement.

(b) In the event the Locality expends $750,000 or more in federal funds in any fiscal year, the Locality agrees to obtain an annual audit from an independent auditor in accordance with the provisions of the Single Audit Act of 1984, 31 U.S.C. §§ 7501 et seq., as amended, and the regulations promulgated thereunder, including Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards located at Title 2 of the Code of Federal Regulations Part 200 Subpart F ("SAA Audit"). The Locality shall furnish to the Authority and the Board copies of any SAA Audit immediately after it is accepted by the Locality, and in the event such SAA Audit contains financing and recommendations pertaining to the Fund, the Locality shall promptly inform the Authority and the Board when corrective actions have been implemented pursuant to such findings and recommendations.

(c) The Locality agrees to comply with the Davis-Bacon Act and related acts, as amended, with respect to the Project and require that all laborers and mechanics employed by contractors and subcontractors for the Project shall be paid wages at rates not less than those prevailing on projects of a similar character, as determined by the United States Secretary of Labor in accordance with Section 1450(e) of the Safe Drinking Water Act and related acts, as amended.

(d) The Locality agrees to comply with all federal requirements imposed by the Infrastructure Investment and Jobs Act, P.L. 117-58 and related United States Environmental Protection Agency ("EPA") guidelines, as amended and supplemented and in effect from time to time, which the Locality understands includes, but is not limited to, the following requirements: that all of the iron and steel products, manufactured products, and construction materials used in the Project are to be produced in the United States unless (1) the Locality has requested and obtained an appropriate federal agency waiver pertaining to the Project or the Project is otherwise covered by a general applicability waiver; or (2) all of the contributing federal agencies have otherwise advised the Locality in writing that the foregoing requirements are not applicable to the Project. In the event that one of the above exceptions applies to the Project, the Locality agrees to comply with all federal requirements imposed by the Consolidated Appropriations Act, P.L. 113-76 and related EPA guidelines, as amended and supplemented and in effect from time to time, with respect to the Project, which the Locality understands includes, but is not limited to, the requirement that all iron and steel products used for the Project are to be produced in the United States.

(e) The Locality agrees to comply with all recordkeeping and reporting requirements under all applicable legal authorities, including any reports required by the contributing federal agencies or the Authority, such as performance indicators of program deliverables, information on costs and progress with respect to the Project. The Locality acknowledges that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities, and (ii) failure to comply with the applicable legal requirements and this Agreement may result in a default hereunder that results in a repayment of all funding proceeds disbursed hereunder and/or other remedial actions.

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

(g) In addition to the various federal requirements set forth in other Sections of this Agreement, the Locality agrees to comply, and to require that all contractors, subcontractors, and other applicable parties for the Project comply, to the extent appropriate, with all other applicable federal laws, regulations, EPA guidelines, and other requirements, as amended and supplemented and in effect from time to time, relating to or arising out of or in connection with the Project and the funding thereof from federal financial assistance, including, but not limited to, Disadvantaged Business Enterprise requirements (40 CFR Part 33), Equal Employment Opportunity requirements (EO 11246), and Debarment and Suspension prohibitions (EO 12549).

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

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

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

Department
and Board: Virginia Board of Health
Virginia Department of Health
Division of Financial and
Construction Assistance Programs ODW/VDH
109 Governor Street
Richmond, Virginia 23219
Attention: Director

Locality: City of Danville, Virginia
P.O. Box 3300
Danville, VA 24543
Attention: City Manager

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

ARTICLE VI
COUNTERPARTS

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

[Remainder of this page intentionally left blank]

WITNESS the following signatures, all duly authorized.

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

By: _____
Shawn B. Crumlish
Executive Director

CITY OF DANVILLE, VIRGINIA

By: _____

Its: _____

Exhibit A
Project Description
City of Danville, Virginia
BIL 67L-23

The Project includes financing the City of Danville Lead Service Line Identification and Replacement project, together with related expenses.

Exhibit B
Project Budget
City of Danville, Virginia
BIL 67L-23

[To Come]

Exhibit C
Requisition For Disbursement
BIL 67L-23

[LETTERHEAD OF BORROWER]

[Date]

Anthony Hess, Division Director
Financial & Construction Assistance Programs (FCAP)
Office of Drinking Water
Virginia Department of Health, Lexington Field Office
131 Walker Street
Lexington, VA 24450

Re: Virginia Water Supply Revolving Fund
City of Danville, Virginia
Loan No. BIL 67L-23

Dear Mr. Hess:

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

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

The undersigned certifies that (a) the amounts requested by this requisition will be applied solely and exclusively to the payment, or the reimbursement of the Borrower for the payment, of Project Costs, and (b) any materials, supplies or equipment covered by this requisition are not subject to any lien or security interest or such lien or security interest will be released upon payment of the requisition. In addition, the undersigned certifies that the Borrower has conducted adequate oversight for compliance with the Davis-Bacon Act and related acts through (a) the review of payrolls and associated certifications, and (b) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products included in this request (x) satisfy compliance with federal requirements imposed by the Infrastructure Investment and Jobs Act (including Build America, Buy America requirements) or (y) satisfy the appropriate requirements for iron and steel products included in the Agreements, as applicable.

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

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

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

Sincerely,

_____

(Authorized Representative of the Borrower)

Attachments
cc: VDH Project Engineer (with all attachments)

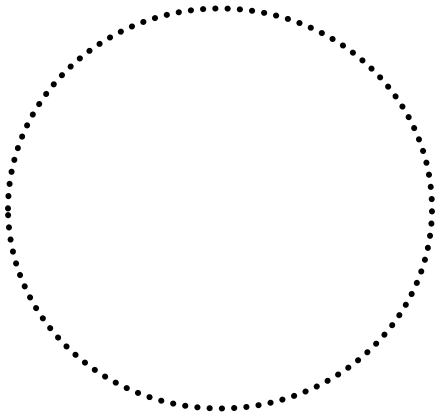
CERTIFICATE OF THE CONSULTING ENGINEER

FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

Loan No. BIL 67L-23

This Certificate is submitted in connection with Requisition Number ____, dated _____, 20__, submitted by the City of Danville, Virginia. Capitalized terms used herein shall have the same meanings set forth in Article I of the Agreements referred to in the Requisition.

The undersigned Consulting Engineer for the Borrower 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 to or installed in the Project.



SEAL

_____
[Consulting Engineer]

Date: _____

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

REQUISITION # _____
BORROWER: CITY OF DANVILLE, VIRGINIA
LOAN NUMBER: BIL 67L-23

CERTIFYING SIGNATURE: _____
TITLE: _____

Cost Category	Amount Budgeted	Previous Disbursements	Expenditures This Period	Total Expenditures to Date	Net Balance Remaining

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

Council Letter
City of Danville, Virginia

CL - 2697 **NEW BUSINESS K.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Fiscal Year 2027 Danville Public Schools Budget.

From: Henrietta Weaver, Budget Director

COUNCIL ACTION

1. Public Hearing

2. A Resolution of the Council of the City of Danville, Virginia Approving the Budget of the School Board of the City of Danville for the Fiscal Year Ending June 30, 2027.
First Reading

SUMMARY

The Public Hearing for the Fiscal Year 2027 School Board Budget is scheduled for May 5, 2026. The City's Budget for Support of Schools includes $35,394,430 for Support of Operations, and $1,108,830 for Debt Service, for a grand total of $36,503,260.

RECOMMENDATION

It is recommended the City Council approve the attached Resolution approving the Fiscal Year 2027 Danville Public Schools Budget.

Attachments

1. Resolution

PRESENTED: _____

ADOPTED: _____

RESOLUTION NO. 2026- ___-___

A RESOLUTION OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA APPROVING THE BUDGET OF THE SCHOOL BOARD OF THE CITY OF DANVILLE FOR THE FISCAL YEAR ENDING JUNE 30, 2027.

WHEREAS, the School Board of the City of Danville presented to the Council its estimate of the amount of money needed for the support of the public schools of the City during Fiscal Year 2027 which estimate reflected total proposed expenditures in the amount of One Hundred Eight Million Three Hundred Thirteen Thousand Nine Hundred Twenty and 00/100 dollars ($108,313,920.00); and

WHEREAS, the City shall contribute Thirty-five Million Three Hundred Ninety-four Thousand Four Hundred Thirty and 00/100 dollars ($35,394,430.00) for School Operations and One Million One Hundred Eight Thousand Eight Hundred Thirty and 00/100 dollars ($1,108,830.00) for School Debt Service for a total appropriation of Thirty-six Million Five Hundred Three Thousand Two Hundred Sixty and 00/100 dollars ($36,503,260.00); and

WHEREAS, the City Council does not intend by this resolution to guarantee to the School Board of the City of Danville any contribution for support of schools in future fiscal years above that amount required by Virginia law for support of schools; and

WHEREAS, a brief synopsis of the proposed Budget of the School Board for Fiscal Year 2027 was duly published, and, after public notice duly given, a public hearing with respect thereto has been conducted by the Council, after due public notice thereof, and upon consideration of which it is now necessary and desirable to approve the same as prescribed by law.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Danville, Virginia that, pursuant to Section 22.1-93 of the Code of Virginia, 1950, as amended, the

budget of the School Board of the City of Danville for the Fiscal Year ending June 30, 2027 be, and the same is hereby, approved for educational purposes subject to the above recited conditions.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

Council Letter
City of Danville, Virginia

CL - 2698 **NEW BUSINESS L.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Consideration of Fee Changes Effective July 1, 2026.

From: Henrietta Weaver, Budget Director

COUNCIL ACTION

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Amending, Establishing and Increasing Certain Fees of the City of Danville Effective July 1, 2026, Except Where Otherwise Stated.
First Reading

SUMMARY

The Fiscal Year 2027 Budget contains recommendations for the following new fees or fee increases:

- The establishment of a special event application fee in Parks and Recreation is estimated to provide an additional $2,500 in revenue.
- The elimination of the incident report fee, increase of the crash report fee, and the increase in parade permit fees in the Police Department is estimated to provide an additional $2,270 in revenue.
- The establishment and increase of various fees and permits in Public Works is estimated to provide an additional $7,280 in revenue.

BACKGROUND

Philosopy of Charging Fees

The City has a long-standing practice of charging the users of services for the cost of providing those services. If the fees exist in the General Fund, they typically only cover a portion of the cost. The purpose of establishing fees instead of using the general taxing authority of the City to cover costs is to ensure that those who benefit from the service are the ones paying for the cost. This is a best practice for municipalities.

Parks and Recreation – Special Event Application Fee

Beginning in January 2026, the City implemented a centralized Special Event Permit process managed by the Parks and Recreation Department to improve coordination and oversight of special events. To support this new structure, the establishment of a Special Event Application Fee is proposed for all special event applications, except for road closures, which are already subject to an existing permit fee, and assembly applications, which will remain free of charge. The proposed fee is intended to offset

administrative costs associated with managing the permitting process and to encourage timely and complete applications. Refunds would be limited to situations where a requested facility is unavailable.

Police Department – Crash Report Fee
The Danville Police Department requests an increase in the Crash Report Fee to better reflect current administrative costs. This fee has remained unchanged since 2014 and no longer accounts for inflation, staff time, or technology expenses associated with producing crash reports. The proposed adjustment aligns with the Virginia Department of Motor Vehicles' established rate and is consistent with regional practices, ensuring the City remains reasonable and competitive while achieving improved cost recovery without placing an undue burden on residents.

Police Department – Incident Report Fee
The Police Department recommends eliminating the $5.00 fee currently charged for in-person requests for public copies of incident reports. These public copies are limited to brief, single-page summaries and are already available online, reducing the need for a fee-supported in-person process. Most requests for detailed reports are handled through FOIA, and peer cities do not impose similar charges. Removing this fee supports transparency, reduces administrative burden, and aligns the City with regional best practices while having minimal fiscal impact.

Police Department – Parade Permit Fee
An increase in the parade permit fee is proposed to reflect the true cost of coordinating and supporting parade events. The current fee has been unchanged since 1988 and no longer corresponds with the level of City services required, including police staffing, traffic control, and public works coordination. The proposed fee aligns more closely with comparable jurisdictions and mirrors the City's existing street closure fee, promoting equity among event types. This update modernizes the fee structure, encourages thoughtful planning by organizers, and ensures that City resources are responsibly allocated.

Public Works – Excavation Permit Fees
The City's excavation permitting process applies to contractors and utility companies performing work within the public right-of-way and requires substantial administrative oversight and field inspections. Current permit fees no longer reflect the actual costs incurred by Engineering and Public Works staff for application review, utility coordination, inspections, and restoration verification. In addition, a new work zone fee is proposed for projects that do not involve excavation but require traffic control and daily compliance checks. With increased right-of-way activity citywide, these adjustments are necessary to ensure that the costs of managing construction impacts are borne by those performing the work rather than subsidized by the General Fund.

Public Works – Dumpster and Container Fees
The temporary placement of dumpsters and storage containers within the public right-of-way requires City review, approval, and inspection to protect public safety and infrastructure. Staff must ensure proper placement, maintain pedestrian and vehicular access, and verify compliance after installation. Establishing a fee allows the City to recover administrative and inspection costs associated with these activities while encouraging timely removal and responsible use of public streets. This approach balances accommodation of private construction needs with stewardship of public space.

Public Works – Commercial Curb Cut Fee
The proposed increase to the commercial curb cut permit fee is intended to better align the fee with the City's actual administrative and inspection costs. Commercial curb cuts require detailed review, coordination with contractors, and multiple inspections to ensure compliance with design, safety, drainage, and right-of-way standards. Residential curb cut fees would remain unchanged. This adjustment improves cost recovery while supporting consistent construction quality and long-term maintenance of City infrastructure.

Public Works – Land Disturbance and Stormwater Permit Fees (Commercial)

The City's Erosion and Stormwater Management program requires extensive staff involvement throughout the life of a commercial development, from plan review and permitting through inspections, enforcement, and long-term documentation. Currently, the City does not charge fees for erosion and sediment control or stormwater management plan reviews. The proposed fee changes would apply only to commercial projects and are intended to offset a portion of the staff time dedicated to administering and enforcing regulatory requirements. The proposed fees are consistent with those charged by peer localities, supporting fairness and predictability for developers while strengthening the sustainability of the program.

RECOMMENDATION

It is recommended that City Council adopt the attached ordinance establishing and increasing fees.

Attachments

1. Ordinance

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026-____. _____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AMENDING, ESTABLISHING AND INCREASING CERTAIN FEES OF THE CITY OF DANVILLE EFFECTIVE JULY 1, 2026, EXCEPT WHERE OTHERWISE STATED.

WHEREAS, the city of Danville charges fees for services rendered, permits and applications; and

WHEREAS, fees for services rendered, permits, and applications are designed to help recoup a portion of the costs of providing those services; and

NOW THEREFORE, BE IT ORDAINED, by the Council of the City of Danville, Virginia, that certain fees, be, and the same are hereby, established and approved in accordance with the three schedules, which are attached hereto and made a part hereof, as if fully set forth within, as follows:

Schedule I. Parks and Recreation Department - Fees

Schedule II. Police Department – Fees and Permits

Schedule III. Public Works Department – Fees and Permits

AND BE IT FURTHER ORDAINED that this Ordinance shall be and become effective on and as of July 1, 2026, except where otherwise stated.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

Schedule I

CITY OF DANVILLE
PARKS AND RECREATION DEPARTMENT
FEES
EFFECTIVE JULY 1, 2026

Pursuant to Danville City Code § 2-9 and Danville City Charter § 2-6.

FEE	CURRENT	PROPOSED
Special event application fee	$ 0	$ 25

Schedule II

CITY OF DANVILLE
POLICE DEPARTMENT
FEES AND PERMITS
EFFECTIVE JULY 1, 2026

Pursuant to Danville City Code § 2-9, § 27-1, and § 24-42 and Danville City Charter § 2-6.

FEE	CURRENT	PROPOSED
Incident reports	$ 5	$ 0
Crash reports	$ 5	$ 8
Parade permit	$ 3	$ 75

Schedule III

CITY OF DANVILLE
PUBLIC WORKS DEPARTMENT
FEES AND PERMITS
EFFECTIVE JULY 1, 2026

Pursuant to Danville City Code § 2-9, § 13-56, § 35-33, and § 35-34 and Danville City Charter § 2-6.

FEE	CURRENT	PROPOSED
Excavation Permit Fees:		
Initial permit including application review	$ 21	$ 100
Underground borings	$ 21 per bore	$ 10 per 20 linear feet of bore / $10 minimum
Pavement/concrete (per square foot)	$ 0.05	$ 0.20 / $10 minimum
Shoulder cut (per square foot of shoulder disturbance)	$ 0	$ 0.05 / $10 minimum
Work zone	$ 0	$ 50 per 30 days / $50 minimum
Residential work	$ 0	$10
Dumpster and Container Fees:		
Temporary placement of dumpster or storage container in the city right-of-way		
Business areas	$ 0	$ 50 for first 15 days then $50 each 15 days after
Residential areas	$ 0	$ 0 for first 15 days then $50 each 15 days after

CITY OF DANVILLE
PUBLIC WORKS DEPARTMENT
FEES AND PERMITS, *continued*
EFFECTIVE JULY 1, 2026

Pursuant to Danville City Code § 2-9, § 13-56, § 35-33, and § 35-34 and Danville City Charter § 2-6.

FEE	CURRENT	PROPOSED
Commercial Curb Fees:		
Per entrance	$ 16	$ 100
Commercial Land Disturbance and Stormwater Permit Fees:		
Erosion and sediment control plan review (for land disturbance of 5,000 square feet or more)	$ 0	$ 50 base fee plus $50 per acre (maximum $500)
Stormwater management plan review (for land disturbances that require a VSMP permit)	$ 0	$ 50 base fee plus $10 per 1,000 square feet of post-developed impervious area (maximum $500)
Land disturbance permit (for land disturbances of 5,000 square or more)	$ 78 for first acre plus $52 for each additional acre	$ 50 base fee plus $50 per acre

Council Letter
City of Danville, Virginia

CL - 2700 **NEW BUSINESS M.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Consideration of a Data Center Tax Rate Increase.

From: Henrietta Weaver, Budget Director

COUNCIL ACTION

1. Public Hearing

2. An Ordinance of the Council of the City of Danville, Virginia Amending and Reordaining Section 37-37 of the Danville City Code to Increase the Data Center Tax Rate from $0.25 (Twenty-Five Cents) on Every $100 (One Hundred Dollars) of Assessed Value to $1.20 (One Dollar and Twenty Cents) on Every $100 (One Hundred Dollars) of Assessed Value Effective July 1, 2026.
   First Reading

SUMMARY

The Fiscal Year 2027 budget includes a $0.95 increase in the Data Center Tax rate from $0.25 per $100 of assessed value to $1.20 per $100 of assessed value, effective July 1, 2026.

BACKGROUND

The Code of the City of Danville, Virginia, 1986, as amended, was revised on October 4, 2018, to establish Section 37-37, entitled “Data Centers and Data Center Tax Rate.” This section created a separate tax classification for computer equipment and peripherals used in qualifying data center facilities. Since adoption, the Data Center Tax rate has remained at $0.25 per $100 of assessed value. The attached ordinance amends Section 37-37 to update the rate to $1.20 per $100 of assessed value, as incorporated into the Fiscal Year 2027 Adopted Budget. The proposed amendment does not alter eligibility criteria or valuation methodology and is limited solely to the tax rate adjustment.

RECOMMENDATION

It is recommended that City Council approve the attached ordinance amending the City Code for the Data Center Tax rate.

Attachments

1. Ordinance

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026___.___

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AMENDING AND REORDAINING SECTION 37-37 OF THE DANIVLLE CITY CODE TO INCREASE THE DATA CENTER TAX RATE FROM $0.25 (TWENTY-FIVE CENTS) ON EVERY $100 (ONE HUNDRED DOLLARS) OF ASSESSED VALUE TO $1.20 (ONE DOLLAR AND TWENTY CENTS) ON EVERY $100 (ONE HUNDRED DOLLARS) OF ASSESSED VALUE EFFECTIVE JULY 1, 2026.

NOW THEREFORE BE IT ORDAINED, by the Council of the City of Danville, Virginia, that Section 37-37, entitled “Data Centers and Data Center tax rate”, of the Article II, entitled "Levy and Rate of Tax on Real Estate, Tangible Personal Property, Etc.”, 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:

Sec. 37-37. – Data Centers and Data Center tax rate.

(b) A separate tax rate is levied on the computer equipment and peripherals used in a Data Center. A Data Center is a facility whose primary services are the storage, management, and processing of digital data as defined in subsection (a) above. The facility must also house equipment used for the transformation, transmission, distribution, or management of at least twenty (20) megawatts of electrical power capacity. The Data Center tax rate is ~~**twenty-five cents ($0.25)**~~ **one dollar and twenty cents ($1.20)** per one hundred dollars ($100.00) of assessed value (which is determined by applying a depreciation schedule to arrive at the fair market value); 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; and

BE IT FINALLY ORDAINED that this Ordinance shall be and become effective on and as of July 1, 2026.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

Council Letter
City of Danville, Virginia

CL - 2679 **NEW BUSINESS N.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Consideration of Amending the Fiscal Year 2026 Budget Appropriation Ordinance for the Recreation Enrichment Program (REP).

From: Charlene Presley, Division Director - Special Recreation

COUNCIL ACTION

An Ordinance of the Council of the City of Danville, Virginia Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for Funds in the Amount of $69,625 for a Recreation Enrichment Program and the Local In-Kind Share of $306,223 for a Total Appropriation of $375,848 and Appropriation of Same.
First Reading

SUMMARY

The Danville-Pittsylvania Community Services Board will award funds in the amount of $69,625 to the City's Department of Parks and Recreation for Fiscal Year 2026 for the Recreation Enrichment Program.

BACKGROUND

The Danville-Pittsylvania Community Services Board will award funds in the amount of $69,625 to the City's Department of Parks and Recreation. This is a continuation of funding which the city receives each year. With these funds, the Special Recreation Division provides recreation, educational, and cultural services for individuals with intellectual impairments. The funds will be matched with in-kind funds of $306,223 for a total appropriation of $375,848. The in-kind funds are included in the City's Fiscal Year 2026 budget.

RECOMMENDATION

It is recommended that the City Council adopt an ordinance appropriating funds to the City's Department of Parks and Recreation.

Attachments

1. Ordinance

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026-____.____

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR FUNDS IN THE AMOUNT OF $69,625 FOR A RECREATION ENRICHMENT PROGRAM AND THE LOCAL IN-KIND SHARE OF $306,223 FOR A TOTAL APPROPRIATION OF $375,848 AND APPROPRATION OF SAME.

NOW THEREFORE, BE IT ORDAINED by the Council of the City of Danville, Virginia, that the Fiscal Year 2026 Budget Appropriation Ordinance be, and the same is hereby, amended by increasing revenues for funds from Danville-Pittsylvania Community Services to the Department of Parks and Recreation Enrichment Program, Special Recreation Division, in the amount of Sixty-nine Thousand Six Hundred Twenty-five Dollars ($69,625) and in-kind services in the amount of Three Hundred Six Thousand Two Hundred Twenty-three Dollars ($306,223) for the purpose of operating a Recreation Enrichment Program to provide services for the individuals with intellectual impairments, appropriating same within the Special Grants Fund, such appropriations be as follows:

ANTICIPATED REVENUES

Description	Account No.	Amount
Categorical Aid - State		
Danville-Pittsylvania Community Services	60299000-45620	$ 69,625
Local Share		
In-Kind Services Recreation Enrichment Program	60300000-44890	306,223
	Total	**$ 375,848**

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
Recreation Enrichment	60299999-50	$ 69,625
Recreation Enrichment – In Kind		
Salaries & Wages	60300000-59500	$ 212,921
FICA	60300000-59510	16,289
Retirement	60300000-59520	3,637
Insurance	60300000-59530	31,190
Automotive/Motor Pool Rental	60300000-59615	28,968
Utilities	60300000-59625	12,065
Telephone	60300000-59635	1,153
	Sub-total	$ 306,223
	Total	**$ 375,848**

AND BE IT FURTHER ORDAINED, that all other accounts and provisions of the Fiscal Year 2026 Budget Appropriation Ordinance not hereby amended shall continue in full force and effect unless and until hereafter further amended or repealed: and

BE IT FINALLY ORDAINED, that this appropriation shall be continuing appropriation and such appropriation shall carry forward from year to year until such funds are expended for the purpose for which they were appropriated.

Approved:

_____
Mayor

Attest:

_____
Clerk

Approved as to
Form and Legal Sufficiency:

_____
City Attorney

Council Letter
City of Danville, Virginia

CL - 2726 **NEW BUSINESS O.**

City Council REGULAR MEETING

Meeting Date: May 5, 2026

Subject: Consideration of Amending the Fiscal Year 2026 Budget Appropriation for a Grant from the Virginia Housing Workforce Housing Investment Program.

From: Susan McCulloch, Division Director of Housing & Development

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COUNCIL ACTION

An Ordinance of the Council of the City of Danville, Virginia Amending the Fiscal Year 2026 Budget Appropriation Ordinance to Provide for a Grant from Virginia Housing in the Amount of $2,000,000 for the Purpose of Developing 1700 West Main Street and Appropriating the Same.
First Reading

SUMMARY

The City of Danville received a grant for Workforce Housing Investment Program (WHIP) funding of $2,000,000.00 from Virginia Housing to assist 1700 Main LLC to construct 182 workforce units at 1700 West Main Street.

BACKGROUND

The 1700 W Main development is a $32,864,115 project. This development marks the first large-scale, planned Workforce Housing apartment community in Danville. While many adaptive reuse projects have already been completed in the area, the West Main development will be a garden-style apartment community to include both a clubhouse and a pool. If successful, this project will establish a strong market presence that can attract further similar developments in the future. It is located in the Schoolfield Village area and is also in a Revitalization Area.

To support this project, at the developer's suggestion, the Industrial Development Authority (IDA) of the City of Danville is prepared to create a revolving loan fund. VA Housing will disburse the WHIP award funds to the City of Danville. The City will provide each tranche of funds received to the IDA, which will then loan the funds to 1700 W Main. 1700 W Main will repay the funds to the IDA. The repayment will establish a revolving workforce housing loan instrument, enabling the IDA to reinvest the funds in future workforce housing projects. A revolving loan fund creates a sustainable source of capital for housing projects.

RECOMMENDATION

It is recommended that City Council adopt the attached Budget Appropriation Ordinance appropriating $2,000,000 from Virginia Housing for Fiscal Year 2025-26 to assist with the construction of 1700 West Main Street and disbursed to the IDA for the purpose of lending it to the developer in order to establish

a Workforce Housing Revolving Loan Fund.

Attachments

1. Ordinance

PRESENTED: _____

ADOPTED: _____

ORDINANCE NO. 2026 - ___.___

AN ORDINANCE OF THE COUNCIL OF THE CITY OF DANVILLE, VIRGINIA AMENDING THE FISCAL YEAR 2026 BUDGET APPROPRIATION ORDINANCE TO PROVIDE FOR A GRANT FROM VIRGINIA HOUSING IN THE AMOUNT OF $2,000,000 FOR THE PURPOSE OF DEVELOPING 1700 WEST MAIN STREET AND APPROPRIATING THE SAME.

WHEREAS, the City of Danville has received Two Million Dollars ($2,000,000) from Virginia Housing's Workforce Housing Investment Funds for the purpose of helping to construct 182 workforce apartments, a pool, and community center at the same address by 1700 Main LLC; and

WHEREAS, the Industrial Development Authority of the City of Danville will receive the tranches from the City to fund a loan to 1700 Main, LLC in the amount of Two Million Dollars ($2,000,000); and

WHEREAS, 1700 Main, LLC will repay the loan to the IDA so that a Workforce Housing Loan Fund can be created.

NOW THEREFORE, BE IT ORDAINED by the Council of the City of Danville, Virginia, that the Fiscal Year 2026 Budget Appropriation Ordinance be, and the same is hereby, amended by increasing revenues from Virginia Housing in the amount of Two Million Dollars ($2,000,000) for the purpose of developing 182 workforce apartments, and appropriating the same within the Special Revenue Fund, such appropriations to be as follows:

ANTICIPATED REVENUE

Description	Account No.	Amount
Virginia Housing Workforce Housing Investment Program 1700 West Main		
Categorical Aid State – Community Development	62108000-45840	$ 2,000,000

ANTICIPATED EXPENDITURES

Description	Account No.	Amount
Virginia Housing Workforce Housing Investment Program 1700 West Main	62108999-50	$ 2,000,000

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 2026 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