

Public Service Authority Board of Directors
March 8, 2016

At a regular meeting of the Public Service Authority Board of Directors held on Tuesday, March 8, 2016, at 9:00 a.m. in the Board Room of the County Administration Building, 143 Third Street, N.W., in the Town of Pulaski, Virginia, the following Board members were present: Dr. Doug Warren, Chairman; Dr. Fritz Streff; Nancy Burchett; Dave Dean, Vice – Chairman and Dennis Setliff.

Staff members present included: Peter Huber, County Administrator; Karen Thompson, Assistant County Administrator, Management Services; Ashley Edmonds, Clerk to the Board; Diane Newby, Finance Director; Ronnie Nichols, Director of Operations, Maintenance and Transportation; Jared Linkous, County Engineer; Debra Boyd, Public Service Authority, Accounts Payable/Collections Clerk.

Dr. Warren called the meeting to order at 9:00 a.m. and welcomed those present.

1. Confirmation of a Quorum

Dr. Warren confirmed a quorum with all 5 members in attendance.

2. Charles "David" Whitt

Dr. Warren advised those in attendance of the death of one of the PSA's employees, Mr. Charles "David" Whitt. Mr. Whitt worked for many years as an attendant at the Fairlawn drop site. Mr. Huber added he and the PSA as a whole appreciated the work completed by Mr. Whitt. Dr. Warren called for a moment of silence in memory of Mr. Whitt.

3. Citizens Comments

There were no comments from the public. Dr. Warren acknowledged the citizen complaint regarding the lack of signage at the Dublin drop site. Dr. Warren felt this was self explanatory and advised staff to place the appropriate signage. Mr. Dean asked why there was no one located at the drop sites when the citizen arrived and Mr. Nichols was unsure. Mr. Huber stated the absence of the attendant may have been attributed to the continued grinding at the Dublin site. Mr. Nichols advised there were two additional employees to be hired at the drop sites. Mr. Huber reminded the Board that the Dublin drop site is still under construction and is being used at the same time.

4. Water Meter Study Technical Assistance Program – Second Progress Report

Mr. Linkous introduced Mr. Carlos Mantilla - Peña, M.S., Civil Engineering, Ph. D. student, Civil Engineering; Gregory D. Boardman, Ph.D, P.E., Professor, Environmental and Water Resources Engineering and Mark A. Widdowson, Ph. D., P.E., Professor, Assistant Department Head and Graduate Chair, Environmental and Water Resources Engineering from Virginia Tech. Mr. Mantilla Peña presented a progress report on the water study technical assistance program. Mr. Peña – Mantilla stated the overall objective of the program is to help Pulaski County determine what water meters currently in existence should be replaced. Several accuracy meter tests were performed last year and the results of those tests along with a comparison of what could be learned from the 2012 tests were reviewed. The Board members and Mr. Huber expressed appreciation to Mr. Mantilla - Peña for his work on the project and Mr. Huber thanked the professors and stated there were many other projects in Pulaski County where student/faculty research could be beneficial to both parties. Mr. Dean asked Mr. Linkous for additional information regarding the yearly purchase and financing of replacement water meters to present to the Board at the next meeting. Mr. Linkous advised the collection of data for the meter types would need to be completed before a breakdown of funds before a presentation could be made to the Board. He went on to state there were funds allocated in this fiscal year in the CIP for the replacement of water meters.

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5. Financial Matters

A. Financial Report

The financial report was reviewed by the Board. Mr. Setliff questioned an item on page 1 showing more incurrences of penalties and late charges than budgeted (74 occurrences /28 budgeted). Mrs. Newby indicated the green illustration showed the PSA collected more revenue than anticipated with penalties and interest being hard to gauge. Mrs. Burchett questioned the reallocation of funds of the Construction Administration from sewer to all of the cost centers, including refuse. Mrs. Newby indicated this was due to the Dublin drop site project (inspection). The County is reimbursing about half of the funds. Mrs. Newby reminded the Board of the change made this budget year to split the 50 (fifty) percent the county is reimbursing and then took the other 50 (fifty) percent to create a third water, sewer and refuse with each department getting about 16.67 percent.

On a motion from Mr. Setliff, second by Dr. Streff and carried, the Board received, reviewed and approved the Financial Report ending February 29, 2016, as presented:

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Streff, Mrs. Burchett

Voting No: None

B. Budget

Mr. Huber indicated staff's intention to include budget requests in BoardDocs for review, a change in the budget process by meeting with departments to discuss needs and priorities to gain a better perspective when bringing budget items to the Board and the proposed 5 (five) percent increase in water and sewer fees for the coming fiscal year. Mr. Huber also expressed the concerns of the Board of Supervisors regarding management service fees, i.e.: payment by the PSA to the Board of Supervisors for time spent on PSA duties by Mr. Linkous, Ms. Edmonds, Mrs. Newby and Mr. Huber currently set at \$63,000/year, which the Board of Supervisors feels is too low. Staff plans to provide the amount of time spent on PSA duties for review by both Boards to assist with a more equitable plan. Mr. Huber discussed the internal service fund (where garage/ IT service usage provided by the County go) which is currently out of balance. There has been a revision to the billing rate due to the School Board joining the County in the garage with fuel moving from 30 (thirty) percent surcharge to 3 cent per gallon. The County buys fuel from a tanker at wholesale prices removing the taxes and surcharges normally applied at the pump. Charges for vehicle maintenance will go to \$60 (sixty) for a passenger vehicle, \$85 for trucks and larger vehicles. The PSA will benefit financially as these charges are more reflective of true cost and enables predictability for planning. Mr. Dean questioned possible expense to PSA for ongoing problems with the Town of Pulaski's main sewer line between Wurno and Dublin. There was discussion regarding the sewer smell in the area and although there has not been any contact by the Town of Pulaski on this issue, it is ongoing. Mr. Huber also brought to the Board maintenance issues at the old Cloyd's Mountain landfill. There is about \$100,000 of maintenance needed to the pump station and landfill and the City of Radford who ran out of landfill space at the time stated they would contribute 30 (thirty) percent to maintenance fees. The Board of Supervisors feels the County should not be responsible; however, Mrs. Burchett indicated the County was responsible as this landfill was in existence in the 1960s, long before the PSA was formed, back when Mr. Woodyard's company, Pulaski Disposal, was taking care of the refuse. The County took over the responsible and Mrs. Burchett was certain it was located in the Code that counties were responsible. Mrs. Burchett asked about a parts surcharge

and Mr. Nichols responded to the question by stating the proposal does not include a surcharge on parts or gas by adjusting the billable rate for maintenance. Mrs. Burchett asked if REMSI was aware of these changes regarding the purchase of gasoline as they currently do not participate. Mr. Nichols said this conversation has not been discussed with REMSI. Dr. Streff expressed concern about future costs to the PSA on the Old Cloyd's Mountain landfill that was not built to specifications and bearing those increased costs. Mr. Linkous spoke about compliance of the landfill and stated the monitoring was going well with the landfill in compliance with DEQ, with the County paying for the monitoring and maintenance. He further stated he felt the expense would come with maintaining and replacing equipment, i.e.: pump station. Dr. Streff spoke about the benefits of planning and adding funds to the budget for this expense. Dr. Warren asked for an email to be sent to the members to alert of budget items in BoardDocs with a separate document in BoardDocs with budget items.

6. Action Items

A. Drinking Water Clinic

Mr. Huber introduced Mr. Morgan Paulette, Extension Agent, Agriculture and Natural Resources, for Pulaski County. Morgan is working on a water quality clinic. Mr. Huber pointed out the benefits in having a water quality clinic as being able to identify areas where there are well problems and where the PSA can place water lines. Mr. Huber recommended \$1,000 expenditure to be given to the water clinic efforts, reducing the cost per household from \$52 to \$38. Mr. Dean asked when the last clinic was performed, how many households participated and the results. Mr. Paulette stated he was not working here during the last clinic in 2013 however there 82 (eighty – two) households that participated with 52% of the samples exceeding the standard or recommended level for water hardness and 49% of the samples exceeding the recommended bacterial level. Mr. Paulette offered hand outs with further information. Mr. Paulette did not have specific action results for Pulaski County but statewide the following actions were taken: 24% chlorinate, 21% install or improve treatment measures, 12% improve maintenance of well or spring, 11% use bottled water, 10% no action taken. Dr. Warren stated it was up to the household as to whether there is any action taken. Mr. Linkous spoke about the procedure for receiving funding for water line installation where there is poor water quality and stated the results from the water clinic are private, however for this four county area there were some of the highest participation rates, chloroform rates and one case of e coli within the county. Mr. Linkous added if the extension office were able to give a generalize map of the “problem areas” and if households were willing to share their results with the PSA, it would help to identify areas and allow for access to funding for water lines. Mr. Setliff questioned if \$1,000 was enough as further education was needed due to recent news events regarding water quality. Dr. Streff agreed, adding it would be beneficial for future planning of water and sewer lines and encouraged more funds be given for costs and outreach to participants to sign up, especially in areas previously identified as having water quality issues. Dr. Warren recalled a grant for funding previously and Mr. Paulette is aware of the grant however it may no longer be available. Dr. Warren stressed the importance of keeping the costs minimal to garner more participants. Mr. Dean spoke about obtaining samples from everyone in the County that is not on the PSA system however Mr. Paulette acknowledged there were confidentiality stipulations that come into play. Mr. Huber spoke about increasing expenditure to further reduce costs to household, asking households to voluntarily sign a waiver giving the PSA access to the results and advertising the clinic through the County newsletter, Facebook page, website and local newspapers. It is important, Mr. Huber stated, to make sure the household knows we are not attempting to condemn their wells or force them on to the public water system. Mr. Paulette clarified once samples are obtained, results usually come in three weeks and he holds an informational meeting with the participants to interpret the results. The program will take place on

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May 18, 2016, with households bringing in samples. Mr. Paulette was asked by the Board to encourage participants to share their results with the PSA by advising their confidentiality would be respected with their names stripped from the results as only geographical information is needed. Mr. Paulette agreed to do so.

On a motion from Mr. Setliff, second by Dr. Streff and carried, the Board approved an expenditure of \$5,000 (capped) to subsidize the cost of water quality testing for 150 households reducing the cost for the household to \$20:

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Streff, Mrs. Burchett
Voting No: None

B. Skyline Subdivision Sewer Connection Waiver:

Mr. Linkous reviewed the terms for the Skyline Subdivision Sewer Connection Waiver, advising the waiver is set to expire on March 8, 2016. A resident requested an extension of the waiver due to inclement weather. Staff recommends extending waiver for two months for the project as a whole.

On a motion from Dr. Streff, second by Mr. Setliff and carried, the Board approved extending the sewer connection waiver fee for an addition two months for the Skyline Subdivision:

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Streff, Mrs. Burchett
Voting No: None

C. Emergency Generators Water Project – VRA Loan

Mr. Linkous gave a progress report on the VRA Loan and the emergency generators are up and running. Once the loan is closed, the PSA can request full draw down of their funding to reimburse the PSA coffers. Mr. Setliff asked for an article on the Emergency Generator Project be placed in an upcoming County newsletter to let citizens know the good things that are happening. Mrs. Burchett had follow up questions regarding the terms and interest and Mr. Linkous explained how the loan worked primarily as principal forgiveness and low interest at 2%.

On a motion from Mrs. Burchett, second by Mr. Setliff and carried, the Board approved the following funding /financing agreements and resolution packet for the Emergency Generators Water Project – VRA Loan:

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Streff, Mrs. Burchett
Voting No: None

RESOLUTION AUTHORIZING THE CONSTRUCTION AND FINANCING OF IMPROVEMENTS TO THE WATER SYSTEM OF THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY AND THE ISSUANCE, SALE AND AWARD OF A NOT TO EXCEED \$231,000 WATER, SEWER, AND SOLID WASTE REVENUE BOND AND PROVIDING FOR THE FORM, DETAILS, AND PAYMENT OF THE BOND

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The Pulaski County Public Service Authority (the "Authority") is a public body politic and corporate and a political subdivision of the Commonwealth of Virginia duly created pursuant to the Virginia Water and Waste Authorities Act by the Board of Supervisors of Pulaski County, Virginia, and by a certificate of incorporation issued February 4, 1970, by the State Corporation Commission of Virginia.

The Authority has been authorized to acquire, construct, operate and maintain water, sewer, and solid waste disposal systems in Pulaski County, Virginia (the "County"), and to borrow money and to issue its revenue bonds to pay all or part of the cost of such systems, including the cost of such additions and betterments as the Authority deems necessary to place or maintain the systems in proper condition for the safe, efficient and economical operation thereof, and to refund bonds previously issued by the Authority.

The Authority has determined to purchase and install emergency generators for use by its water system and to issue its revenue bond in the maximum amount of \$231,000, the proceeds of which, together with other available funds, are estimated to be sufficient to pay the cost of the Project hereinafter authorized.

The Virginia Resources Authority (the "VRA"), as Administrator of the Virginia Water Supply Revolving Fund, has offered to purchase such revenue bond upon certain terms and conditions, and the Authority, after mature consideration of the condition of the municipal bond market and other methods of selling its bonds, has determined to satisfy such terms and conditions and award the bond to the VRA.

THEREFORE, BE IT RESOLVED BY THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY:

ARTICLE I

Definitions

Section 1.1. Definitions. Whenever used in this resolution, unless a different meaning clearly appears from the context:

"Act" shall mean the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia of 1950, as amended).

"Authority" shall mean The Pulaski County Public Service Authority, a public body politic and corporate and a political subdivision of the Commonwealth of Virginia duly created pursuant to the Act by the Board of Supervisors of Pulaski County, Virginia, and by a certificate of incorporation issued by the State Corporation Commission of Virginia on February 4, 1970.

"Bond" shall mean the Authority's water, sewer and solid waste revenue bond issued pursuant to this resolution.

"Closing Date" shall mean the date on which the Bond is delivered to the VRA upon payment or partial payment of the purchase price of the Bond.

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“Consulting Engineer” shall mean the engineering firm or individual engineer as may be employed by the Authority as Consulting Engineer in accordance with the Financing Agreement.

“County” shall mean Pulaski County, Virginia.

“Financing Agreement” shall mean the financing agreement executed by the Authority and the VRA in accordance with Section 4.1 of this resolution.

“Fund” shall mean the Virginia Water Supply Revolving Fund, acting by and through the Virginia Resources Authority, its successors and assigns.

“Parity Bonds” shall mean:

(a) the following bonds issued by the Authority:

1. \$130,000 Water and Sewer Revenue Bond, Series of 1993 (Zero Interest);
2. \$4,741,000 Water and Sewer Revenue Bonds, Series of 2011; and
3. \$4,005,526.69 Public Service System Revenue Bonds, Series 2014;

(b) and any additional bonds issued by the Authority prior to or on the Closing Date that are secured by the revenues of the System.

“Project” shall mean purchase of two emergency generators for the Authority’s pump station and water treatment plant, together with related expenses, and as may be more fully described in the Financing Agreement.

“System” means all plants, systems, facilities, equipment or property, including but not limited to the Project, owned, operated or maintained by the Authority and used in connection with the collection, supply, treatment, storage or distribution of water, the collection or treatment of wastewater, or the collection, management, disposal, incineration, storage, recycling or conversion into energy of solid waste as the same may from time to time exist.

“VRA” shall mean the Virginia Resources Authority, a public body corporate and a political subdivision of the Commonwealth of Virginia, its successors and assigns, as Administrator of the Fund.

ARTICLE II

Authorization of Project

Section 2.1. The Project. In order to improve the water facilities serving the citizens of the County in the areas served by the Authority, the construction and equipping of the Project is hereby authorized. The Project is hereby found and ordered to be a part of the System.

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ARTICLE III

Authorization, Award, Details, Execution, Form,
Registration and Delivery of Bond

Section 3.1. Authorization of Bond. Pursuant to the Act, there is hereby authorized to be issued and sold a water, sewer, and solid waste revenue bond of the Authority in the aggregate principal amount not to exceed \$231,000 (the "Bond"), to provide funds, together with other available funds, to finance the cost of the Project.

Section 3.2. Award of Bond. After mature consideration of the methods of sale of such bond and current conditions of the municipal bond market, it is hereby determined that it is in the best interest of the Authority and the County for the Authority to accept the offer of the VRA to purchase the Bond upon certain terms and conditions set forth in the Financing Agreement.

Section 3.3. Details of Bond.

(a) The Bond shall bear an appropriate designation as determined by either of the Chairman or Vice-Chairman of the Authority, each of whom is authorized to provide the designation for the Bond in order to appropriately identify it. The Bond will provide for principal advances to be made and noted on the Bond from time to time as funds are advanced by the VRA under the Bond. The Bond shall be issued as a single, fully registered bond without coupons, shall be dated the Closing Date, shall be numbered R-1, shall bear a Cost of Funds not to exceed two percent (2.0%) per annum, comprised of interest to the Fund of 0.50% and a fee of 1.50% for administrative management services (defined hereinafter and in the Financing Agreement as the "Cost of Funds" on the Bond), and shall be in a principal amount not to exceed \$231,000. The principal of and the Cost of Funds on the Bond shall be in the amount and shall be payable semi-annually in the amounts and on the dates established in accordance with subsection (b) below.

(b) Each of the Chairman or Vice-Chairman of the Authority is hereby authorized and directed to determine the principal amount of the Bond and to accept the dates on which, and the amounts in which, principal of and the Cost of Funds on the Bond will be due, as established by the VRA before the Closing Date; provided, however, that the principal amount of the Bond shall not exceed \$231,000 and the final maturity of the Bond shall be no greater than forty (40) years after the Closing Date. The execution and delivery of the Bond as described in Section 3.4 and Section 3.7 hereof shall conclusively evidence such principal amount and payment dates and amounts established by VRA as having been so accepted as authorized by this Resolution. Principal of and the Cost of Funds on the Bond shall be payable in lawful money of the United States of America.

Section 3.4. Execution of Bond. The Bond shall be signed by the Chairman or Vice Chairman of the Authority and the Authority's seal shall be affixed thereto and attested by the Authority's Secretary.

Section 3.5. Form of Bond. The Bond shall be in substantially the following form, with such variations, insertions and omissions as shall be consistent herewith, the execution and delivery of the

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Bond constituting conclusive evidence that any variations, insertions and omissions are consistent herewith:

[Form of Bond to be completed at closing]

No. R-_____ \$_____

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY

WATER, SEWER, AND SOLID WASTE REVENUE BOND, SERIES _____

DATED: _____

The Pulaski County Public Service Authority (the "Authority"), for value received, hereby promises to pay, solely from the revenues described and pledged in the Financing Agreement, as hereafter defined, to the payment hereof, to the order of the Virginia Resources Authority (the "VRA"), as Administrator of the Virginia Water Supply Revolving Fund (the "Fund"), or registered assigns, the principal sum equal to the aggregate amount of principal advances shown on the attached Schedule of Principal Advances, but not to exceed the sum of

_____ DOLLARS
(\$_____)

with interest (the "Cost of Funds"), including the part thereof allocable to the annual administrative fee payable as set forth in Section 6.1 of the "Financing Agreement" defined below, on the unpaid principal from the date of each principal advance shown on the attached Certificate of Principal Advances until payment of the entire principal sum at the annual rate of two percent (2.0%), comprised of interest to the Fund of 0.50% and a fee of 1.50% for administrative management services.

The principal of and the Cost of Funds on this Bond shall be due and payable as follows:

The Cost of Funds only on all amounts disbursed under the Bond shall be due and payable on _____ 1, 201_. Commencing _____ 1, 201_, and continuing semi-annually thereafter on _____ 1 and _____ 1 in each year, principal and the Cost of Funds due under the Bond shall be due and payable in equal installments of \$_____, with a final installment of \$_____ due and payable on _____ 1, 20__, when if not sooner paid, all amounts due under this 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 advances up to the maximum authorized amount are not made, the principal amount due on this Bond shall not include such undisbursed amount. However, unless the Authority and VRA agree otherwise in writing, until all payments due hereunder shall have been paid in full, less than full disbursement of the maximum authorized amount of this Bond shall not postpone the due date of any semi-annual installment due hereunder or change the amount of such installment unless the principal amount due under this Bond is less than the amount of such installment.

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In addition, if any installment of principal of or the Cost of Funds on this Bond is not received by the registered owner of this Bond within ten (10) days from its due date, the Authority shall pay to the registered owner of this Bond a late payment charge in the amount equal to five percent (5.00%) of such overdue installment. Principal of and the Cost of Funds on this Bond are payable in lawful money of the United States.

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 of Virginia are pledged to the payment of the principal of or the Cost of Funds on this Bond.

This Bond has been authorized by a resolution duly adopted by the Authority on _____ (the "Bond Resolution"), and is issued pursuant to the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia of 1950, as amended) (the "Act"), and pursuant to the terms of a Financing Agreement between the VRA and the Authority (the "Financing Agreement") to evidence a loan from the Fund to the Authority, to provide funds, together with other available funds, to finance the cost of constructing and equipping improvements to the Authority's water system. Reference is hereby made to the Bond Resolution and the Financing Agreement and any amendments thereto for the provisions, among others, describing the pledge and covenants securing this Bond, the nature and extent of the security, the terms and conditions upon which this Bond is issued, the rights and obligations of the Authority and the rights of the bondholder. Capitalized terms used in this Bond and not otherwise defined have the meanings given them in the Financing Agreement.

Principal of and the Cost of Funds on this Bond are payable solely from the revenues of the System pledged thereto in the Financing Agreement and from amounts, if any, received pursuant to the Support Agreement, as defined in the Bond Resolution.

In accordance with the Financing Agreement, the lien of the pledge of revenues securing the payment of the principal of and the Cost of Funds on this Bond is on parity with the pledge of revenues securing the following bonds issued by the Authority:

1. \$130,000 Water and Sewer Revenue Bond, Series of 1993 (Zero Interest);
2. \$4,741,000 Water and Sewer Revenue Bonds, Series of 2011; and
3. \$4,005,526.69 Public Service System Revenue Bonds, Series 2014.¹

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

Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer the Bond Registrar shall treat the registered owner as

¹ Additional parity bonds to be included if issued on or before the Closing Date.

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the person exclusively entitled to payment of principal and the exercise of all other rights and powers of the owner.

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

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

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

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

IN WITNESS WHEREOF, the Authority has caused this Bond to be signed by the Chairman of the Authority, its seal to be affixed hereto and attested by the Secretary of the Authority, and this Bond to be dated the date first shown above.

ATTEST:

[NOT FOR SIGNATURE]

(Seal)

Secretary, The Pulaski County Public
Service Authority

[NOT FOR SIGNATURE]

Chairman, The Pulaski County Public
Service Authority

SCHEDULE OF PRINCIPAL ADVANCES

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

<u>Amount</u>	<u>Date</u>	<u>Authorized Signature</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

[End of Bond Form]

Upon request of the VRA, the Authority shall arrange to have prepared, executed, authenticated and delivered in exchange as soon as practicable bonds in printed form in an aggregate principal amount equal to the unpaid principal of the Bond in typewritten form, in denominations of \$5,000 and multiples thereof, except for one bond which may be issued in an odd denomination of not less than \$5,000, of the same form and maturity and registered in such names as requested by the VRA or its duly authorized attorney or legal representative. The typewritten bond surrendered in any such exchange shall be canceled.

Section 3.6. Registration and Exchange of Bond. Transfer of the Bond may be registered upon books maintained for that purpose at the office of the Registrar. Prior to due presentment for registration of transfer the Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and the exercise of all other rights and powers of the owner.

Section 3.7. Delivery of Bond. The Chairman and Vice Chairman and the Secretary of the Authority are hereby authorized and directed to take all proper steps to have the Bond prepared and executed in accordance with its terms and to deliver the Bond to the VRA in accordance with the terms of the Financing Agreement.

Section 3.8. Mutilated, Lost, Stolen or Destroyed Bond. If the Bond has been mutilated, lost, stolen, or destroyed, the Authority shall execute and deliver a new Bond of like date and tenor in exchange and substitution for, and upon delivery to the Treasurer and cancellation of, such mutilated Bond, or in lieu of and in substitution for such lost, stolen, or destroyed Bond; provided, however, that the Authority shall execute, authenticate, and deliver a new Bond only if its registered owner has paid the reasonable expenses and charges of the Authority in connection therewith and, in the case of a lost, stolen, or destroyed Bond (i) has filed with the Registrar evidence satisfactory to him or her that such Bond was lost, stolen, or destroyed and that the holder of the Bond was its registered owner and (ii) has furnished to the Authority indemnity satisfactory to the Registrar. If the Bond has matured, instead of issuing a new Bond, the Authority may pay the Bond without surrender upon receipt of the aforesaid evidence and indemnity.

ARTICLE IV

Financing, Funding, and Support Agreements and Revenues

Section 4.1. Authorization of Financing, Funding, and Support Agreements, and Other Matters. The Financing Agreement between the VRA and the Authority (the "Financing Agreement"), the Funding Agreement between the VRA and the Authority (the "Funding Agreement"), and the Support Agreement among the Authority, the VRA, and the Board of Supervisors of Pulaski County (the "Support Agreement"), the forms of which have been presented to the Authority at this meeting and filed with the records of the Authority, are approved. Each of the Chairman and Vice-Chairman of the Authority is authorized to execute and deliver on behalf of the Authority the Financing Agreement, the Funding Agreement, and the Support Agreement in substantially the forms submitted to the Authority, with such changes, insertions or omissions as may be approved by the Chairman or Vice-Chairman, whose approval shall be evidenced conclusively by the execution and delivery of the Financing

Agreement, the Funding Agreement, and the Support Agreement. The acceptance by the Authority of grants from governmental agencies to fund the Project is hereby approved and authorized. The Chairman, the Vice-Chairman, the Secretary and any other officer of the Authority are authorized to execute and deliver on behalf of the Authority such agreements and other instruments, documents or certificates, and to do and perform such things and acts, as they shall deem necessary or appropriate to carry out the transactions authorized by this resolution or contemplated by the Bond, the Financing Agreement, the Funding Agreement, or the Support Agreement, and all of the foregoing, previously done or performed by such officers of the Authority, are in all respects approved, ratified and confirmed.

Section 4.2. Pledge of Revenues. To the extent and upon the terms provided in the Financing Agreement, the revenues derived from the System shall be pledged to the payment of the principal of and the Cost of Funds on the Bond. Such pledge shall be on parity with the pledge of such revenues securing the payment of the Parity Bonds.

ARTICLE V

Miscellaneous

Section 5.1. Contract with Bondholder. The provisions of this resolution shall constitute a contract between the Authority and the holder of the Bond for so long as the Bond is outstanding.

Section 5.2. Authority of Officers and Agents. The officers and agents of the Authority shall do all acts and things required of them by this resolution, the Bond, the Financing Agreement, the Funding Agreement, the Support Agreement, and the Act for the complete and punctual performance of all the terms, covenants and agreements contained therein.

Section 5.3. Limitation of Rights. Nothing expressed or mentioned in or to be implied from this resolution or the Bond is intended or shall be construed to give to any person or company other than the parties hereto and the holder of the Bond any legal or equitable right, remedy or claim under or in respect to this resolution or any covenants, conditions and agreements herein contained; this resolution and all of the covenants, conditions and agreements hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the holder of the Bond as herein provided.

Section 5.4. Limitation of Liability of Officials of Authority. No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of a present or future member, officer, employee or agent of the Authority in his individual capacity, and neither the members of the Authority nor any officer thereof executing the Bond shall be liable personally on the Bond or be subject to any personal liability or accountability by reason of the issuance thereof. No member, officer, employee or agent of the authority shall incur any personal liability with respect to any other action taken by him pursuant to this resolution or the Act, provided he acts in good faith.

Section 5.5. Trust Funds. In accordance with Section 15.2-5140 of the Act, any officer to whom, or any bank, trust company or other fiscal agent to which, moneys received pursuant to the Act are paid shall act as trustee of such moneys and shall hold and apply the same for the purposes provided in the Act, subject to such regulations as this resolution or the Financing Agreement may provide.

Section 5.6. Conditions Precedent. Upon the issuance of the Bond, all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia or this resolution to happen, exist and to be performed precedent to or in the issuance of such Bond shall have happened, exist and have been performed.

Section 5.7. Severability. If any court of competent jurisdiction shall hold any provision of this resolution to be invalid or unenforceable, such holding shall not invalidate any other provision of this resolution.

Section 5.8. Successors and Assigns. All the covenants, stipulations, promises and agreements of the Authority contained in this resolution shall bind and inure to the benefit of its successors and assigns, whether so expressed or not.

Section 5.9. Headings. Any headings in this resolution are solely for convenience of reference and shall not constitute a part of the resolution nor shall they affect its meaning, construction or effect.

Section 5.10. Incorporation of Recitals. The recitals in the "whereas" clauses above are hereby found and determined to be a part of this resolution.

Section 5.11. Filing of Resolution. The Secretary of the Authority is directed to file a certified copy of this resolution with the Circuit Court of Pulaski County, Virginia, pursuant to Section 15.2-5126 of the Act.

Section 5.12. Effective Date. This resolution shall take effect immediately.

* * *

The undersigned Secretary of The Pulaski County Public Service Authority (the "Authority), hereby certifies that the foregoing constitutes a true and correct copy of a resolution adopted at a meeting of the Authority held on _____, 2016. I hereby further certify that such meeting was a regularly scheduled meeting and that, during the consideration of the foregoing resolution, a quorum was present. I further certify that the minutes of such meeting reflect the attendance of the members and the voting on the foregoing resolution as follows:

<u>Members</u>	<u>Attendance</u>	<u>Vote</u>
Doug Warren		
David Dean		
Dennis Setliff		
Nancy Burchett		
Fritz Streff		

WITNESS MY HAND and the seal of The Pulaski County Public Service Authority, this ___ day of _____, 2016.

(SEAL)

 Secretary, The Pulaski County Public Service Authority

#8204252
 018127.0004

FINANCING AGREEMENT

dated as of _____ 1, 2016

BETWEEN

VIRGINIA RESOURCES AUTHORITY,

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

AND

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Virginia Resources Authority
Virginia Water Supply Revolving Fund

**[CFDA No. 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
U.S. Environmental Protection Agency]**

Loan No. WSL-030-14

Emergency Generators for Pump Station & Water Treatment Plant

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[To Be Updated]

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT is made as of this first day of _____, 2016, 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 **PULASKI COUNTY PUBLIC SERVICE AUTHORITY**, a body politic and corporate and a 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 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.

"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 the commitment letter from the Authority to the Borrower, dated _____, 2016, and all extensions and amendments thereto.

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

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

“County” means the County of Pulaski, Virginia.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Service Contracts” means the water purchase agreement between the Borrower and the City of Radford, Virginia, the water purchase and sale agreements between the Borrower and the Town of Pulaski, Virginia and the water sale agreement between the Borrower and the Town of Dublin, Virginia.

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

“Support Agreement” means the Support Agreement, dated the date hereof, among the Borrower, the Authority and the County, substantially in the form of Exhibit H hereto.

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

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

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

ARTICLE II **REPRESENTATIONS**

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

- (a) The Borrower is a duly created and validly existing “local government” (as defined in Section 62.1-233 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 Support 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 Support Agreement and the Local Bond.

(c) This Agreement, the Support 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 Support 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. 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 Support Agreement have been executed and delivered by duly authorized officials of the Borrower and constitute a 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 and the Support 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, 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 Support 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 Support Agreement or the Local Bond. The execution and delivery by the Borrower of this Agreement, the Support 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 Support 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 Support 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 Support 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) The Service Contracts are in full force and effect; no default or event of default has occurred and is continuing under the Service Contracts; 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 the Service Contracts.

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

ARTICLE III

ISSUANCE AND DELIVERY OF THE LOCAL BOND

Section 3.1. Loan to Borrower and Purchase of the Local Bond. The Borrower agrees to

borrow from the Authority and the Authority agrees to lend to the Borrower, from the Fund, the principal amount equal to the sum of the principal disbursements made pursuant to Section 4.1, but not to exceed \$_____ for the purposes herein set forth, 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 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 Support 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.
- (e) A certificate of the Consulting Engineer estimating the total Project Costs to be financed with the Local Bond Proceeds, which estimate is in an amount and otherwise compatible with the financing plan described in the Project Budget.
- (f) A certificate of the Consulting Engineer to the effect that in the opinion of the Consulting Engineer (i) the Project will be a part of the System, and (ii) the Local Bond Proceeds and funds available from the other sources specified in the Project Budget will be sufficient to pay the estimated Project Costs.
- (g) A certificate, including supporting documentation, of a Qualified Independent Consultant that in the opinion of the Qualified Independent Consultant, during the first two complete Fiscal Years of the Borrower following completion of the Project, the projected Net Revenues Available for Debt Service will satisfy the rate covenant made by the Borrower in Section 5.1(a). In providing this certificate, the Qualified Independent Consultant may take into consideration future System rate increases, provided that such rate increases have been duly approved by the governing body of the Borrower and any other person or entity required to give approval for the rate increase to become effective. In addition, the Qualified Independent Consultant may take into consideration additional future revenues to be derived under existing contractual arrangements entered into by the Borrower and from reasonable estimates of growth in the consumer base of the Borrower.
- (h) A certificate of the Consulting Engineer as to the date the Borrower is expected to complete the acquisition, construction and equipping of the Project.
- (i) Evidence satisfactory to the Authority that all governmental permits, licenses, registrations, certificates, authorizations and approvals for the Project required to have been obtained as of the date of the delivery of this Agreement have been obtained and a statement of the Consulting

Engineer that he knows of no reason why any future required governmental permits, licenses, registrations, certificates, authorizations and approvals cannot be obtained as needed.

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

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

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

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

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

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

(p) Evidence satisfactory to the Authority that the Service Contracts are in full force and effect and that they are binding and enforceable agreements as to each of the Borrower and the other parties to such agreements.

(q) Such other documentation, certificates and legal opinions as the Authority, the Board or the Department may reasonably require including an opinion from counsel acceptable to the Authority that the Support Agreement is valid and enforceable against the County, subject to usual and customary qualifications.

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) 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 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 retain ages 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 only in accordance with Section 6.1.

Section 4.2. Agreement to Accomplish Project. The Borrower agrees to cause the Project to be acquired, constructed, expanded, renovated or equipped as described in Exhibit B and in accordance with the Project Budget and the plans, specifications and designs prepared by the Consulting Engineer and approved by the 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(h). 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.

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, 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 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. 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 cost of the Project, the Borrower will complete the Project at its own expense and shall not be entitled to any reimbursement therefore 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. Subject to the Borrower's right to apply Revenues to the payment of Operation and Maintenance Expense, the Revenues are hereby pledged to the Authority, as Administrator of the Fund, to secure the payment of the principal of and Cost of Funds on the Local Bond and the payment and performance of the Borrower's obligations under this Agreement. This pledge shall be valid and binding from and after the execution and delivery of this Agreement. The Revenues, as received by the Borrower, shall immediately be subject to the lien of this pledge without any physical delivery of them or further act. The lien of this pledge of the Revenues is on a parity with the lien of the pledge of the Revenues securing the Existing Parity Bonds. The lien of this pledge shall, subject to the right of the Borrower to apply Revenues to the payment of Operation and Maintenance Expense, have priority over all other obligations and liabilities of the Borrower, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Borrower regardless of whether such parties have notice of this pledge.

(a) The Borrower covenants and agrees that it will fix and collect rates, fees and other charges for the use of and for services furnished or to be furnished by the System, and will from time to time revise such rates, fees and other charges so that in each Fiscal Year the Net Revenues Available for Debt Service will equal at least 100% of the amount required during the Fiscal Year to pay the principal of and Cost of Funds on the Local Bond, the Additional Payments and all other indebtedness of the Borrower secured by or payable from Revenues including without limitation, indebtedness under leases which are treated as capital leases under generally accepted accounting principles. If, for any reason, the Revenues are insufficient to satisfy the foregoing covenant, the Borrower shall within ninety (90) days adjust and increase its rates, fees and other charges or reduce its Operation and Maintenance Expense so as to provide sufficient Revenues to satisfy such requirement.

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

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

Section 5.3. Qualified Independent Consultant's Report. (a) If at the end of any Fiscal Year, the Borrower is not in compliance with the rate covenant made by the Borrower in Section 5.1(a), within

two hundred ten (210) days after the end of such Fiscal Year, the Borrower shall obtain a report from the Qualified Independent Consultant giving advice and making recommendations as to the proper maintenance, repair, replacement and operation of the System for the next ensuing Fiscal Year and estimating the costs thereof as to the rates, fees, and other charges which should be established by the Borrower to satisfy the rate covenant in Section 5.1(a). The Borrower shall promptly furnish a copy of such report to the Authority and, subject to Section 5.3(b), take measures to implement the recommendations of the Qualified Independent Consultant within ninety (90) days of obtaining such report.

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

ARTICLE VI PAYMENTS

Section 6.1. Payment of Local Bond. (a) The Local Bond shall be dated the date of its delivery to the Authority. The Cost of Funds on the Local Bond shall be computed on the disbursed principal balance thereof from the date of each disbursement at the rate of two percent (2.00%) per annum, consisting of the following:

- (i) interest of fifty one hundredths percent (0.50%) 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 _____, 20___. Commencing _____, 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 or Cost of Funds on the Local Bond is not paid within

ten (10) days after its due date, the Borrower agrees to pay to the Authority a late payment charge in an amount equal to five percent (5.0%) of the overdue installment.

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

(1) The costs of the Fund, the Authority, the Department or the Board in connection with the enforcement of this Agreement, including the reasonable fees and expenses of any attorneys used by any of them; and

(2) All expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof.

The Borrower agrees to pay interest on any Additional Payments enumerated in (1) or (2) above not received by the Authority within ten (10) days after demand therefore 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. At its option 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, the Project and the System at all times shall be owned by the Borrower and shall not be operated or controlled by any other entity or person.

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

Section 8.3. Additions and Modifications. At its own expense, the Borrower from time to time may make any additions, modifications or improvements to the System which it deems desirable and which do not materially reduce the value of the System or the structural or operational integrity of

any part of the System, provided that all such additions, modifications or improvements comply with all applicable federal, state and local laws, rules, regulations, orders, permits, authorizations and requirements. All such renewals, replacements, additions, modifications and improvements shall become part of the System.

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

Section 8.5. Inspection of System and Borrower's Books and Records. The Authority and the 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 any one of the following subsections, or as may be otherwise consented and agreed to by the Authority in writing:

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

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

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

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. The Borrower shall, to the full extent permitted by law, discontinue and shut off, or cause to be discontinued and shut off, services and facilities of the System, and use its best efforts to cause to be shut off water service furnished otherwise than through the System, to customers of the System who are delinquent beyond any customary grace periods in the payment of rates, fees and other charges due to the Borrower.

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

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

Section 8.11. Mandatory Connection. The Borrower shall, 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 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 there from, 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. 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 there in under the exercise of the power of eminent domain, (iii) any loss of the System because of failure of title, or (iv) the commencement of any proceedings or negotiations which might result in such a taking or loss, the Borrower shall give prompt notice thereof to the Authority describing generally the nature and extent of such damage, destruction, taking, loss, proceedings or negotiations.

Section 9.4. Damage and Destruction. If all or any part of the System is destroyed or damaged by fire or other casualty, and the Borrower shall not have exercised its option to prepay in full the Local Bond pursuant to Article VII, the Borrower shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage or destruction, with such alterations and additions as the Borrower may determine and which will not impair the capacity or character of the System for the purpose for which it then is being used or is intended to be used. The Borrower may apply so much as may be necessary of the Net Proceeds of insurance received on account of any such damage or destruction to payment of the cost of such restoration, either on completion or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the Borrower shall pay so much of the cost as may be in excess of such Net Proceeds. If the Net Proceeds are derived from property constituting part of the Project, any balance of such Net Proceeds remaining after payment of the cost of such restoration shall promptly be applied to 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 by an independent certified public accountant, within one hundred and eighty (180) days after the end of each Fiscal Year. The annual audit shall include a supplemental schedule demonstrating whether the Borrower during such Fiscal Year satisfied the rate covenant made by the Borrower in Section 5.1(a). [The 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.] The Borrower shall furnish to the Authority copies of such report immediately after it is accepted by the Borrower. Such report shall include statements in reasonable detail, certified by such accountant, reflecting the Borrower's financial position as of the end of such Fiscal Year and the results of the Borrower's operations and changes in the financial position of its funds for the Fiscal Year.

Section 10.3. 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. The Borrower shall not incur any indebtedness or issue any bonds, notes or other evidences of indebtedness secured by or payable from a pledge of Revenues, except Subordinate Bonds or Parity Bonds.

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

(a) Certified copies of all resolutions and ordinances of the Borrower authorizing the issuance of the Parity Bonds.

(b) A certificate of an appropriate official of the Borrower setting forth the purposes for which the Parity Bonds are to be issued and the manner in which the Borrower will apply the proceeds from the issuance and sale of the Parity Bonds.

(c) If the Parity Bonds are authorized for any purpose other than the refunding of the Local Bond, Parity Bonds, Existing Parity Bonds or Prior Bonds, in form and substance satisfactory to the Authority, a certificate of the Consulting Engineer-, or with respect to subsection (iv)(C) below, a certificate,

including supporting documentation, of the Qualified Independent Consultant, to the effect that in the opinion of the Consulting Engineer or Qualified Independent Consultant, as applicable, (i) the improvements or property to which the proceeds from the issuance of the Parity Bonds are to be applied will be a part of the System, (ii) the funds available to the Borrower from the issuance of the Parity Bonds and other specified sources will be sufficient to pay the estimated cost of such improvements or property, (iii) the period of time which will be required to complete such improvements or acquire such property, and (iv) (A) the Parity Bond proceeds are necessary to complete the Project, (B) the failure to make such improvements or acquire or construct such property will result in an interruption or reduction of Revenues, or (C) during the first two complete Fiscal Years following completion of the improvements or the acquisition of the property financed with the proceeds of the Parity Bonds, the projected Net Revenues Available for Debt Service (excluding any amounts made available by the County pursuant to the Support Agreement) will equal at least 115% of the amount required during each such Fiscal Year to pay any and all amounts due under the Local Bond, this Agreement, the Parity Bonds, any Existing Parity Bonds or Prior Bonds, and all other indebtedness of the Borrower secured by or payable from Revenues, including without limitation, indebtedness under leases which are treated as capital leases under generally accepted accounting principles. In providing this certificate, as applicable, the Qualified Independent Consultant may take into consideration future System rate increases, provided that such rate increases have been duly approved by the governing body of the Borrower and any other person and entity required to give approval for the rate increase to become effective. In addition, the Qualified Independent Consultant may take into consideration additional future revenues of the System to be derived under then existing contractual agreements entered into by the Borrower and from reasonable estimates of growth in the customer base of the Borrower.

(d) If the Parity Bonds are authorized solely to refund the Local Bond (with the consent of the Authority), Existing Parity Bonds, Parity Bonds or Prior Bonds, either (i) a certificate, including supporting documentation, of a Qualified Independent Consultant satisfactory to the Authority that the refunding Parity Bonds will have annual debt service requirements in each of the years the Local Bond, Existing Parity Bonds, Parity Bonds or Prior Bonds to be refunded would have been outstanding which are lower than the annual debt service requirements in each such year on the Local Bond, Existing Parity Bonds, Parity Bonds or the Prior Bonds to be refunded, or (ii) a certificate, including supporting documentation, of the Qualified Independent Consultant to the effect that during the first two complete Fiscal Years following the issuance of the refunding Parity Bonds, the projected Net Revenues Available for Debt Service (excluding any amounts made available by the County pursuant to the Support Agreement) will equal at least 115% of the amount required during each such Fiscal Year to pay any and all amounts due under the Local Bond, this Agreement, the Parity Bonds, any Existing Parity Bonds or Prior Bonds, and all other indebtedness of the Borrower secured by or payable from Revenues, including without limitation, indebtedness under leases which are treated as capital leases under generally accepted accounting principles. In providing the certificate described in clause (ii), the Qualified Independent Consultant may take into account the factors described in the last two sentences of subsection (c) of this Section.

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

Section 10.6. Further Assurances. The Borrower shall to the fullest extent permitted by law pass, make, do, execute, acknowledge and deliver such further resolutions, acts, deeds, conveyances,

assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming the rights, Revenues and other funds pledged or assigned by this Agreement, or as may be required to carry out the purposes of this Agreement. The Borrower shall at all times, to the fullest extent permitted by law, defend, preserve and protect the pledge of the Revenues and other funds pledged under this Agreement and all rights of the Authority and the Board under this Agreement against all claims and demands of all persons.

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

Section 10.8. Assignment by Borrower. The Borrower may not assign its rights under this Agreement without the prior written consent of the Authority and the Board. If the Borrower desires to assign its rights under this Agreement to another "local government" (as defined in the Act), the Borrower shall give notice of such fact to the Authority and the Board. If the Authority and the Board consent to the proposed assignment, the Borrower may proceed with the proposed assignment, but such assignment shall not become effective until the Authority and the Board are furnished (i) an assumption agreement in form and substance satisfactory to the Authority and the Board by which the assignee agrees to assume all of the Borrower's obligations under the Local Bond and this Agreement, and (ii) an Opinion of Counsel to the assignee, subject to customary exceptions and qualifications, that the assumption agreement, the Local Bond and this Agreement constitute legal, valid and binding obligations of the assignee enforceable against the assignee in accordance with their terms and that the assignment and assumption comply in all respects with the provisions of this Agreement. Notwithstanding the foregoing, the assignment of the rights of the Borrower under the Local Bond and this Agreement or the assumption of the obligations thereunder by the assignee shall in no way be construed as releasing the Borrower's obligations.

Section 10.9. 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 10.10. American Iron and Steel. The Borrower agrees to comply with all federal requirements, including those imposed by the Consolidated Appropriations Act, 2014, P.L. 113-76, and related Drinking Water State Revolving Fund Policy Guidelines, as amended and supplemented and in effect from time to time, with respect to the Project. Such requirements include, among other things, that all iron and steel products used for the Project are to be produced in the United States. The term "iron and steel products" is defined to mean the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete and construction materials.

Section 10.11. Recordkeeping and Reporting. The Borrower agrees to comply with all recordkeeping and reporting requirements under the Safe Drinking Water Act and related acts, as amended, including any reports required by a federal agency or the Authority, such as performance indicators of program deliverables, information on costs and progress with respect to the Project. The

Borrower acknowledges that each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities.

Section 10.12. Service Contracts. The Borrower shall give prompt notice to the Authority of any renewal, extension, amendment, default or termination of any of the Service Contracts. The Borrower shall enforce the terms of such agreements and use its best efforts to ensure that such agreements remain in full force and effect during the term of this Agreement.

ARTICLE XI DEFAULTS AND REMEDIES

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

- (a) The failure to pay when due any payment of principal or Cost of Funds due hereunder or to make any other payment required to be made under the Local Bond or this Agreement;
- (b) The Borrower's failure to perform or observe any of the other covenants, agreements or conditions of the Local Bond, the Support Agreement or this Agreement and the continuation of such failure for a period of thirty (30) days after the Authority gives the Borrower written notice specifying such failure and requesting that it be cured, unless the Authority shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice is correctable but cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Default is corrected;
- (c) Any warranty, representation or other statement by or on behalf of Borrower contained in this Agreement or in any instrument furnished in compliance with or in reference to this Agreement or in connection with the issuance and sale of the Local Bond is false or misleading in any material respect;
- (d) The early termination of the Funding Agreement pursuant to Sections 5.3(b) and (c) thereof.
- (e) The occurrence of a default by the Borrower under the terms of any Subordinate Bonds, Parity Bonds, Existing Parity Bonds or Prior Bonds and the failure to cure such default or obtain a waiver thereof within any period of time permitted thereunder;
- (f) An order or decree shall be entered, with the Borrower's consent or acquiescence, appointing a receiver or receivers of the System or any part thereof or of the Revenues thereof, or if such order or decree, having been entered without the Borrower's consent or acquiescence, shall not be vacated, discharged or stayed on appeal within sixty (60) days after the entry thereof;
- (g) Any proceeding shall be instituted, with the Borrower's consent or acquiescence, for the purpose of effecting a composition between the Borrower and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or

hereafter enacted, if the claims of such creditors are under any circumstances secured by or payable from Revenues; or

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

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

Section 11.3. Remedies on Default. Whenever any Event of Default referred to in Section 11.1 shall have happened and be continuing, the Authority shall, in addition to any other remedies provided herein or by law, including rights specified in Section 62.1-237 of the Act, have the right, at its option without any further demand or notice, to take one or both of the following remedial steps:

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

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

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

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

ARTICLE XII
MISCELLANEOUS

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

Section 12.2. Amendments. The Authority and the Borrower, with the written consent of the Board, 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 a writing and shall be signed by or on behalf of the Authority and the Borrower.

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 Cost of Funds on the Local Bond or other costs incident thereto except from the Revenues and other funds pledged therefore. In the absence of fraud, no present or future director, official, officer, employee or agent of the Borrower shall be liable personally in respect of this Agreement or the Local Bond or for any other action taken by such individual pursuant to or in connection with the financing provided for in this Agreement or the Local Bond.

Section 12.4. Applicable Law. This Agreement shall be governed by the applicable laws of 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: Pulaski County Public Service Authority
143 Third Street, NW Suite 1
Pulaski, Virginia 24301
Attention: Chairman

A duplicate copy of each demand, notice, approval, consent, request, opinion or other communication given by any party named in this Section shall also be given to each of the other parties named. The Authority, the Board and the Borrower may designate, by notice given hereunder, any further or different addresses to which subsequent demands, notices, approvals, consents, requests, opinions or other communications shall be sent or persons to whose attention the same shall be directed.

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

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

Section 12.9. Term of Agreement. This Agreement shall be effective upon its execution and delivery, provided that the Local Bond 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: _____

Title: _____

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

By: _____

Title: _____

EXHIBIT A

**FORM OF LOCAL BOND
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14**

[To Come from Borrower's Bond Counsel]

EXHIBIT B**PROJECT DESCRIPTION
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14**

The Project includes financing the purchase of two emergency generators for the Borrower's pump station and water treatment plant, together with related expenses.

EXHIBIT C
PROJECT BUDGET
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14

[To Come]

EXHIBIT D

**OPINION OF BORROWER'S BOND COUNSEL
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14**

[To Come from Borrower's Bond Counsel]

EXHIBIT E

**REQUISITION FOR DISBURSEMENT
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14**

[LETTERHEAD OF BORROWER]

[Date]

Steven D. Pellei, P.E., Director
Office of Drinking Water, 6th Floor
Virginia Department of Health
109 Governor Street
Richmond, VA 23219

Re: Virginia Water Supply Revolving Fund
Pulaski County Public Service Authority
Loan No. WSL-030-14

Dear Mr. Pellei:

This requisition, Number ____, is submitted in connection with the Financing Agreement and Funding Agreement, each dated as of _____ 1, 2016 (together, the "Agreements") between the Virginia Resources Authority, as Administrator of the Virginia Water Supply Revolving Fund (the "Fund"), and the Pulaski County Public Service Authority (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, (b) the conducting of employee interviews, and (c) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products included in this request satisfy the appropriate provisions of the American Iron and Steel requirements included in the Agreement.

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.

Sincerely,

(Authorized Representative of the Borrower)

Attachments

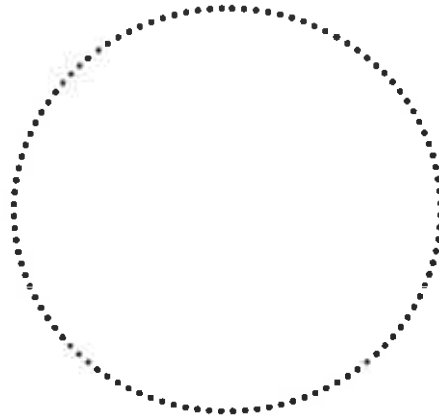
cc: VDH Project Engineer (with all attachments)

CERTIFICATE OF THE CONSULTING ENGINEER
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

Loan No. WSL-030-14

This Certificate is submitted in connection with Requisition Number _____, dated _____, 20____, submitted by the Pulaski County Public Service Authority. Capitalization 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: PULASKI COUNTY PUBLIC SERVICE AUTHORITY
LOAN NUMBER: WSL-030-14
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
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14**

[To Be Completed by Borrower's Bond Counsel]

Prior Bonds:

None

Existing Parity Bonds:

EXHIBIT G
FORM OF BUDGET
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14

(To Be on Borrower's Letterhead)

[Date]

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

Dear Mr./Ms. _____:

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

Revenues ¹	Operation & Maintenance Expense	Net Revenues Available for Debt Service (Revenues – O&M Expense)	Debt Service	Coverage (Net Revenues Available for Debt Service/Debt Service)

¹ Of the amount set forth here as Revenues, \$_____ is derived from a transfer from the County of Pulaski, Virginia's general fund pursuant to the Support Agreement.

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

Very truly yours,

By: _____

Its: _____

EXHIBIT H

**SUPPORT AGREEMENT
PULASKI COUNTY PUBLIC SERVICE AUTHORITY
(Emergency Generators for Pump Station & Water Treatment Plant)
WSL-030-14**

THIS SUPPORT AGREEMENT is made as of the first day of _____, 2016, by and among the **BOARD OF SUPERVISORS OF PULASKI COUNTY, VIRGINIA** (the "Board"), acting as the governing body of Pulaski County, Virginia (the "County"), **PULASKI COUNTY PUBLIC SERVICE AUTHORITY** (the "Borrower"), and the **VIRGINIA RESOURCES AUTHORITY** (the "Authority"), as Administrator of the **VIRGINIA WATER SUPPLY REVOLVING FUND** (the "Fund") and as purchaser of the Local Bond, as hereinafter defined, pursuant to a Financing Agreement dated as of the date hereof (the "Financing Agreement"), between the Authority and the Borrower.

RECITALS:

WHEREAS, the Borrower was created by the Board pursuant to the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2, Code of Virginia of 1950, as amended) and owns and operates the System in the County; and

WHEREAS, the Borrower has determined that it is in its best interest to issue and sell a water and sewer system revenue bond in an original aggregate principal amount not to exceed \$_____ (the "Local Bond") to the Authority, as Administrator of the Fund, pursuant to the terms of the Financing Agreement in order to finance the Project; and

WHEREAS, the Board adopted on _____, 2016, a resolution authorizing, among other things, the execution of an agreement providing for a non-binding obligation of the Board to consider certain appropriations in support of the Local Bond and the Project.

AGREEMENT

NOW, THEREFORE, for and in consideration of the foregoing and of the mutual covenants herein set forth, the parties hereto agree as follows:

1. Unless otherwise defined, each capitalized term used in this Support Agreement shall have the meaning given it in the Financing Agreement.
2. The Borrower shall use its best efforts to issue the Local Bond, to use the proceeds thereof to pay the costs of the Project, and to construct and place the Project in operation at the earliest practical date.
3. No later than May 15 of each year, beginning May 15, 20___, the Borrower shall notify the Board of the amount (the "Annual Deficiency Amount") by which the Borrower reasonably expects the Revenues to be insufficient to pay (i) the debt service obligations under the Financing Agreement, the Local Bond and any other indebtedness secured by or payable from the Revenues, including the Existing Parity Bonds set forth on Exhibit F to the Financing Agreement, (ii) the Operation and Maintenance Expense, and (iii) the Additional Payments in full as and when due during the County's

fiscal year beginning the following July 1.

4. The County Administrator of the County (the "County Administrator") shall include the Annual Deficiency Amount in his budget submitted to the Board for the following fiscal year as an amount to be appropriated to or on behalf of the Borrower. The County Administrator shall deliver to the Authority within ten days after the adoption of the County's budget for each fiscal year, but not later than July 15 of each year, a certificate stating whether the Board has appropriated to or on behalf of the Borrower an amount equal to the Annual Deficiency Amount.

5. If at any time Revenues shall be insufficient to make any of the payments referred to in paragraph 3 hereof, the Borrower shall notify the County Administrator of the amount of such insufficiency and the County Administrator shall request a supplemental appropriation from the Board in the amount necessary to make such payment.

6. The County Administrator shall present each request for appropriation pursuant to paragraph 5 above to the Board, and the Board shall consider such request, at the Board's next regularly scheduled meeting at which it is possible to satisfy any applicable notification requirement. Promptly after such meeting, the County Administrator shall notify the Authority as to whether the amount so requested was appropriated. If the Board shall fail to make any such appropriation, the County Administrator shall add the amount of such requested appropriation to the Annual Deficiency Amount reported to the County by the County Administrator for the County's next fiscal year.

7. The Board hereby undertakes a non-binding obligation to appropriate such amounts as may be requested from time to time pursuant to paragraphs 4 and 5 above, to the fullest degree and in such manner as is consistent with the Constitution and laws of the Commonwealth of Virginia. The Board, 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 Boards of Supervisors do likewise.

8. The Board acknowledges that (i) the Authority would not purchase the Local Bond without the security and credit enhancement provided by this Agreement, and (ii) the Authority is treating this Agreement as a "local obligation" within the meaning of Section 62.1-199 of the Code of Virginia of 1950, as amended (the "Virginia Code"), which in the event of a nonpayment hereunder authorizes the Authority to file an affidavit with the Governor that such nonpayment has occurred pursuant to Section 62.1-216.1 of the Virginia Code. In purchasing the Local Bond, the Authority is further relying on Section 62.1-216.1 of the Virginia Code, providing that if the Governor is satisfied that the nonpayment has occurred, the Governor will immediately make an order directing the Comptroller to withhold all further payment to the County of all funds, or of any part of them, appropriated and payable by the Commonwealth of Virginia to the County for any and all purposes, and the Governor will, while the nonpayment continues, direct in writing the payment of all sums withheld by the Comptroller, or as much of them as is necessary, to the Authority, so as to cure, or cure insofar as possible, such nonpayment.

9. Nothing herein contained is or shall be deemed to be a lending of the credit of the County to the Borrower, the Authority or to any holder of the Local Bond or to any other person, and nothing herein contained is or shall be deemed to be a pledge of the faith and credit or the taxing power of the County, nor shall anything herein contained legally bind or obligate the Board 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 County, to _____, Virginia _____, Attention: County Administrator, (ii) if to the Borrower, to 143 Third Street, NW Suite 1, Pulaski, VA 24301, Attention: Chairman, and (iii) if to the Authority, to 1111 East Main Street, Suite 1920, Richmond, Virginia, 23219, Attention: Executive Director. 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.

12. This Agreement shall remain in full force and effect until the Local Bond and all other amounts payable by the Borrower under the Financing Agreement have been paid in full.

13. 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]

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed in their respective names as of the date first above written.

BOARD OF SUPERVISORS OF PULASKI COUNTY, VIRGINIA

By: _____

Title: _____

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

By: _____

Title: _____

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

By: _____

Title: _____

FUNDING AGREEMENT

dated as of _____ 1, 2016

BETWEEN

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

AND

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

Virginia Resources Authority
Virginia Water Supply Revolving Fund

[CFDA No. 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
U.S. Environmental Protection Agency]

Loan No. WSL-030-14

Emergency Generators for Pump Station & Water Treatment Plant

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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 _____, 2016, 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 **PULASKI COUNTY PUBLIC SERVICE AUTHORITY**, a public body politic and corporate and a political subdivision 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 meaning 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 sanitary 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, with such changes thereto as may be approved in writing by the Board and the Authority.

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

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

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

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

ARTICLE II SCOPE OF SERVICES

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

ARTICLE III TIME OF PERFORMANCE

The Locality’s work on the Project 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 retain ages 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. 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.

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

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

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

Section 5.10. Conflict of Interest. The Locality warrants that it has fully complied with the Virginia Conflict of Interest Act.

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 audited by the Commonwealth of Virginia, whichever is later. 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 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, the Locality agrees to obtain an annual audit from an independent auditor if the Locality expends \$750,000 or more in federal funds in any fiscal year.

(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, including those imposed by the Consolidated Appropriations Act, 2014, P.L. 113-76, and related Drinking Water State Revolving Fund Policy Guidelines, as amended and supplemented and in effect from time to time, with respect to the Project. Such requirements include, among other things, that all iron and steel products used for the Project are to be produced in the United States. The term "iron and steel products" is defined to mean the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete and construction materials.

(e) The Locality agrees to comply with all recordkeeping and reporting requirements under the Safe Drinking Water Act and related acts, as amended, including any reports required by a federal agency or the Authority, such as performance indicators of program deliverables, information on costs and progress with respect to the Project. The Locality acknowledges that each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities.

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
Office of Drinking Water, 6th Floor
109 Governor Street
Richmond, VA 23219
Attention: Director

Locality: Pulaski County Public Service Authority
143 Third Street, NW Suite 1
Pulaski, Virginia 24301
Attention: Chairman

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: _____
Stephanie L. Hamlett
Executive Director

PULASKI COUNTY PUBLIC SERVICE AUTHORITY

By: _____
Its: _____

EXHIBIT A
PROJECT DESCRIPTION
Pulaski County Public Service Authority
WSL-030-14

The Project includes financing the purchase of two emergency generators for the Locality's pump station and water treatment plant, together with related expenses.

Exhibit B
Project Budget
Pulaski County Public Service Authority
WSL-030-14

[To Come]

Exhibit C
Requisition For Disbursement
Pulaski County Public Service Authority
WSL-030-14

[LETTERHEAD OF BORROWER]

[Date]

Steven D. Pellei, P.E., Director
Office of Drinking Water, 6th Floor
Virginia Department of Health
109 Governor Street
Richmond, VA 23219

Re: Virginia Water Supply Revolving Fund
Pulaski County Public Service Authority
Loan No. WSL-030-14

Dear Mr. Pellei:

This requisition, Number ____, is submitted in connection with the Financing Agreement and Funding Agreement, each dated as of _____ 1, 2016 (together, the "Agreements") between the Virginia Resources Authority, as Administrator of the Virginia Water Supply Revolving Fund (the "Fund"), and the Pulaski County Public Service Authority (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, (b) the conducting of employee interviews, and (c) the posting of all wage determinations and additional classifications (as appropriate) on the work site, and through this oversight, the Borrower has determined to the best of its ability that the Project complies with the requirements of the Davis-Bacon Act and related acts. The Borrower further certifies that all products included in this request satisfy the appropriate provisions of the American Iron and Steel requirements included in the Agreements.

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

obligations thereunder required to be performed as of the date hereof.

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

Sincerely,

(Authorized Representative of the Borrower)

Attachments

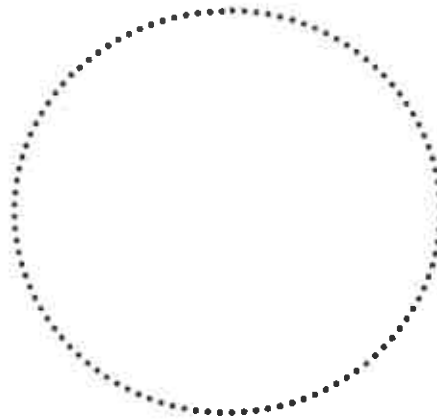
cc: VDH Project Engineer (with all attachments)

CERTIFICATE OF THE CONSULTING ENGINEER
FORM TO ACCOMPANY REQUEST FOR DISBURSEMENT

Loan No. WSL-030-14

This Certificate is submitted in connection with Requisition Number ____, dated _____, 20__, submitted by the Pulaski County Public Service Authority. Capitalization 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: Pulaski County Public Service Authority
LOAN NUMBER: WSL-030-14

CERTIFYING SIGNATURE: _____
TITLE: _____

Cost Category	Amount Budgeted	Previous Disbursements	Expenditures This Period	Total Expenditures to Date

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

VIRGINIA: IN THE CIRCUIT COURT OF PULASKI COUNTY

IN RE: ISSUANCE OF A BOND BY THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY

FILING OF RESOLUTION

Comes now Pulaski County Public Service Authority, a political subdivision of the Commonwealth of Virginia (the "Authority"), and pursuant to Section 15.2-5126 of the Code of Virginia of 1950 files with the Court a certified copy of a resolution entitled:

RESOLUTION AUTHORIZING THE CONSTRUCTION AND FINANCING OF IMPROVEMENTS TO THE WATER SYSTEM OF THE PULASKI COUNTY PUBLIC SERVICE AUTHORITY AND THE ISSUANCE, SALE AND AWARD OF A NOT TO EXCEED \$231,000 WATER, SEWER, AND SOLID WASTE REVENUE BOND AND PROVIDING FOR THE FORM, DETAILS, AND PAYMENT OF THE BOND

adopted by the members of the Authority on March 8, 2016.

Pulaski County Public Service Authority

By: _____
Its Secretary

#8286153
018127.0004

Dr. Warren, Chairman, called for a 5 (five) minute recess.

Dr. Warren called the meeting back to order and Mr. Huber proceeded with the introduction of Ryan Mabry from the PSA Billing Office. Mr. Dean asked if a supervisor had been selected and Mr. Huber advised the process was ongoing.

7. Follow – up Items

A. Collections Update

Mrs. Boyd received several notifications from the State and 71 matched claims thus far with monies from the State to be received shortly. She continues to work on payment arrangements and follow – up along with updating liens. The Board appreciated the report.

B. Delinquency Report

The Board acknowledged receipt and review of the delinquency report. There were no questions.

8. Consent Items

A. Minutes from February 9, 2016

On a motion from Mr. Dean, seconded by Mr. Setliff and carried, the Board approved the Minutes of February 9, 2016:

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Setliff, Mrs.
Burchett Voting No: None

B. Balance Due and Lien Reports

The Board reviewed and accepted the following the balance due and lien reports:

Balance Due	12/1/2015	1/5/2016	2/1/2016	03/01/2016
Current Balance	598,024.29	768,713.50	610,809.27	594,647.01
Over 30 Days	111,083.94	65,656.87	129,745.79	187,322.09
Over 60 Days	68,407.48	84,588.56	43,507.00	60,487.11
Over 90 Days	1,256,237.03	1,265,588.39	1,299,241.21	1,314,598.48
Total	2,033,752.74	2,184,547.32	2,083,303.27	2,157,054.69
Liens Filed	1,346,855.59			

Details of Accounts Delinquent for 90 days or more

Detail by type of customer and level of service billed for

	Garbage & Water	Sewer Only	Garbage Only	Total
Residential	114,662.26	85,337.28	867,505.25	1,067,504.79
Commercial	2,081.14		54,791.63	56,872.77
Nonuser	190,220.92			190,220.92
Total	306,964.32	85,337.28	922,296.88	1,314,598.48

Detail by type of customer and active, inactive and non-user accounts

	Inactive	Non User	Active	Total
Residential Water	30,792.04	31,883.80	83,870.22	146,546.06
Commercial Water	3.80		2,077.34	2,081.14
Residential Garbage	779,292.79	15,040.09	88,212.46	882,545.34
Commercial Garbage	9,147.61		45,644.02	54,791.63
Sewer	68,415.09	1,650.02	16,922.19	86,987.30
Penalty		14,032.29		14,032.29
Interest		127,614.72		127,614.72
Total	887,651.33	190,220.92	236,726.23	1,314,598.48

C. Budget Adjustments

There were no budget adjustments.

D. Billing Adjustments

The Board reviewed and accepted billing adjustments totaling a net credit of \$5,775.97.

E. Accounts Payable

The Board approved accounts payable for checks numbered 8013422 – 8013561.

F. Personnel Changes

Board members reviewed a memo describing personnel changes in the month of March 2016, an electronic version of which is filed in the BoardDocs agenda.

On a motion from Mrs. Burchett, seconded by Dr. Streff and carried, the Board received, reviewed and approved all Items of Consent as presented.

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Streff, Mrs. Burchett

Voting No: None

9. Reports from Staff, Etc.A. Operational Reports: Inmate Availability; Drop Site and County Landfill Tonnage Reports and Cut Off Lists

By consensus, the Board reviewed and accepted the operational reports as follows:

Miscellaneous Report
As of April 4, 2016

DROP SITE TOTALS
FOR THE MONTH MARCH 2016

Site	Trips	Tons	Tons per Haul
Dora Hwy	23	60.49	2.63
Fairlawn	7	46.87	6.69
Dublin	21	97.44	4.64
Total	51	204.80	4.01

INMATE COUNT

3 Inmates were used for the month of March 2016
County Landfill Tonnage
(County customers & refuse department haulers
for the month of March 2016)

Commercial	Residential	Tires	Brush
5,059.86	1,177.63	953	1.70

98 Cut Offs for the month of March 2016

Mr. Setliff asked about requests for inmate use to pick up trash for roadways and he asked for deployment of a crew to clean – up Route 114 to Route 600 top of Parrott Mountain.

B. One Call Report



MESSAGE REPORT

A call was sent to your group

225306: Pulaski County, on 03/08/2016 4:57 PM (ET) by Jim Bell.

Call Set-up:

Recording/entry time: 03/08/2016 4:57 PM (ET)
Caller ID: 3>540-674-8720



Message Summary:

Message Type: Canned Call : Text-to-Speech Call
Message Name: Canned Call: PSA Delinquent - Jon

Call Results:

First delivery attempt: 03/08/2016 4:57 PM (ET)
First attempts completed at: 03/08/2016 5:01 PM (ET)
Last delivery attempt: 03/08/2016 6:13 PM (ET)

Your Message Was Sent to:

Subgroup(s):

--: File List

Delivery Summary:

Recipients	157	
Delivered	98	(62%)
Live:	60	(38%)
Machine:	38	(24%)
Unreached:	59	(38%)
Disconnected:	7	(4%)
Busy or No Answer:	49	(31%)
Bad Numbers:	3	(2%)

[View Message Report Details »](#)

One Call Now Saves You Time

Since 11/17/2011, you have sent 54 messages to your group, currently with 0 member.

We have made 42,673 attempts, re-dialing busy and no-answers, to deliver 14,800 message attempts to your group.

At 1 minute per call, One Call Now Notification Service has saved you **711 hours 13 minutes** to date!

A. PSA Salary Comparisons & Proposed Increases

Mr. Nichols addressed the Board regarding PSA Salary Comparisons. The spreadsheet attached had names and salary information and should not have been included in open session. Dr. Streff stressed the objective of gaining salary information from neighboring counties to complete a comparison. Mrs. Burchett asked to see the comparison done on for the other departments within the PSA to ensure other employees are compensated fairly. Additionally, Mrs. Burchett asked if this information could be ready for review before the adoption of the FY2017 budget and Mr. Huber affirmed that it could be done. A compensation study was completed about 5 (five) – 6 (six) years ago and there is no set gauge for how often a compensation study should be done. Mrs. Burchett reminded staff the salary should be looked at by gross amount and fringe benefits.

10. Staff To Do List

The Board reviewed the following staff list of ongoing items:

- A. Skyview Phase 3
- B. Drop Center on the South Side of Claytor Lake
- C. Covered Water Meter Ordinance
- D. Draper Area Wythe County Sewer/PSA Connection
- E. Water Meter Replacement
- F. Water Master Plan
- G. Change Exit at Fairlawn Drop Site
- H. Lakewood Estates

11. Other Matters

- A. REMINDER: SERCAP Water for Life Conference and Luncheon

Mr. Huber reminded the Board about the Southeast Rural Community Assistance Project (SERCAP) Water for Life Conference and Luncheon to be held at the Sheraton Roanoke on April 20, 2016.

B. Multi – Community Sewer Project

Mr. Linkous updated the Board on the Multi – Community Sewer Project. At this time progress is slow due to a property acquisition issue and Rural Development is questioning whether the project will be completed.

C. Proposed FY 2016 – 2017 Budget

Mr. Huber and Mr. Setliff discussed the Peppers Ferry Regional Wastewater Treatment Authority's budget request.

D. Uniform Policy Revision

Mr. Huber advised the Board of Supervisors' approval of the revision of the Uniform Policy Revision allowing for the purchase of "muck boots" for water and sewer employees.

E. Notices of Violation: Lakewood Estates and Brookmont

Mr. Linkous advised the issues at Lakewood Estates have been addressed and a follow – up letter has been sent. At Brookmont, the County receives water from the Town of Pulaski and no amount of flushing by the PSA will fix the problem. A meeting with the Town of Pulaski and the Health Department will be held in the near future to discuss ways to resolve the problems. The Health Department recognizes it is not a PSA/County issue.

Mrs. Burchett asked about the status of the water line extension request by Mr. Charlie Hull. Mr. Linkous contacted the Town of Pulaski and was told the meter was set at the store. The line is privately owned with three residences being served and Doug Meade completed the work. Mr. Linkous will follow up with Mr. Hull. The Town would want to consider some sort of long-term agreement for services and alternate routing would include Loving Field to Robinson Tract. Next step would be water analysis to obtain Health Department funding.

12. Closed Session – 2.2 – 3711 (A)

A. Enter into Closed Session

On a motion from Mr. Setliff, seconded by Dr. Streff and carried, the Public Service Authority Board of Directors entered into closed session for the discussion of the following:

Personnel

Pursuant to Virginia Code Section 2.2-3711(A) 1 discussion for consideration of employment, assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of public officers, appointees or employees, regarding:

- Application of Training Policies
- Billing Error

Property Disposition or Acquisition

Pursuant to Virginia Code Section 2.2-3711(A) 3 discussion for consideration of the disposition or acquisition of publicly held property regarding:

- Community Sewers Project/Skyview Phase III

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Streff, Mrs. Burchett
Voting No: None

B. Return to Closed Session

On a motion from Mr. Setliff, second by Dr. Streff and carried, the Public Service Authority Board of Directors returned to regular session:

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Dr. Streff, Mrs. Burchett
Voting No: None

C. Certification of Closed Session

On a motion from Dr. Streff, seconded by Mrs. Burchett and carried, the PSA Board of Directors adopted the following resolution certifying conformance with the Virginia Freedom of Information Act:

WHEREAS, the Public Service Authority Board of Directors has convened a closed meeting of this date pursuant to an affirmative recorded vote and in accordance with the provision of the Virginia Freedom of Information Act:

WHEREAS, Section 2.2 – 3371(A) of the Code of Virginia requires a certification by the Board of Directors that such closed meeting was conducted in conformity with Virginia law.

NOW, THEREFORE, BE IT RESOLVED, that the PSA Board of Directors hereby certifies to the best of each members' knowledge (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed meeting to which this certification resolution applies; and (ii) only such business matters as were identified in this motion convening the closed meeting were heard, discussed or considered by the Public Service Authority Board.

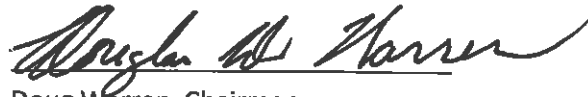
Voting Yes: Dr. Warren, Mr. Dean, Mrs. Burchett, Mr. Setliff
Voting No: None

13. Adjournment

On a motion from Dr. Streff, second by Mr. Dean and carried, the Board adjourned its regular meeting. The next regular meeting of the PSA Board of Directors is scheduled for Tuesday, April 12, 2016, at 9:00 a.m., in the Board Room of the County Administration Building.

Voting Yes: Mr. Setliff, Mr. Dean, Dr. Warren, Mrs. Burchett

Voting No: None

A handwritten signature in black ink that reads "Doug Warren". The signature is written in a cursive style with a horizontal line underneath the name.

Doug Warren, Chairman

A handwritten signature in blue ink that reads "Nancy M. Burchett". The signature is written in a cursive style with a horizontal line underneath the name.

Nancy Burchett, Secretary/Treasurer

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|

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