






Washington County Service Authority Board of Commissioners
August 23, 2021 Regular Board Meeting Minutes

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| Agenda Item: 1  COMMUNICATION | Call the Meeting to Order |
| Presenter(s): | Chairman |
| End Time: | 6:06 pm |

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| Agenda Item: 2  COMMUNICATION | Roll Call |
| Presenter(s): | Chairman |
| Present: | Mr. Thayer, Mr. Taylor, Mr. Campbell, Mrs. C. Miller and Mr. Hutchinson |
| Absent: | Mr. D. Miller and Mr. Hutton |
| End Time: | 6:07 pm |


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| Agenda Item: 3  COMMUNICATION | Prayer and Pledge of Allegiance |
| Presenter(s): | Mr. Taylor opened the meeting in prayer and led the Pledge of Allegiance. |
| Beginning Time: | 6:07 pm |
| End Time: | 6:07 pm |


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| Agenda Item: 4  COMMUNICATION | Approval of the Amended Agenda |
| Presenter(s): | Chairman |
| Beginning Time: | 6:08 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Actual Motion: | Approve the Amended Agenda as presented. |
| Motion By: | Mr. Thayer |
| Second By: | Mr. Hutchinson |
| Voting: | Ayes: 5 |
| | Nays: 0 |
| | Abstain: 0 |
| End Time: | 6:08 pm |

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| Agenda Item: 5  COMMUNICATION | Public Query and Comment |
| Presenter(s): | Chairman |
| Beginning Time: | 6:08 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Speakers: | None |


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| Discussion: | None |
| Actual Motion: | None |
| Motion By: | |
| Second By: | |
| Voting: | Ayes: |
| | Nays: |
| | Abstain: |
| End Time: | 6:08 pm |

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| Agenda Item: 6  COMMUNICATION | Approval of the Consent Agenda |
| Presenter(s): | Chairman |
| Beginning Time: | 6:09 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | None |
| On the Record: | None |
| Actual Motion: | Approve the Consent Agenda. |
| Motion By: | Mr. Thayer |
| Second By: | Mr. Taylor |
| Voting: | Ayes: 5 |
| | Nays: 0 |
| | Abstain: 0 |
| End Time: | 6:09 pm |


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| Agenda Item: 7  COMMUNICATION | Legal Counsel Report and Update |
| Presenter(s): | Thomas Dene |
| Beginning Time: | 6:09 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | Mr. Dene had no report for Open Meeting. |
| Actual Motion: | None |
| Motion By: | |
| Second By: | |
| Voting: | Ayes: |
| | Nays: |
| | Abstain: |
| End Time: | 6:09 pm |


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|---|---|
| Agenda Item: 8  COMMUNICATION | General Manager Report and Update |
| Presenter(s): | Robbie Cornett |
| Beginning Time: | 6:09 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | Mr. Cornett updated the Board on: <ul style="list-style-type: none"> • Covid -19 • The Meter Replacement Project • The Abingdon water and wastewater system • A retreat for the Commissioners |
| On the Record: | None |
| Actual Motion: | None |
| Motion By: | None |
| Second By: | |
| Voting: | |
| Ayes: | |
| Nays: | |
| Abstain: | |
| End Time: | 6:19 pm |

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| Agenda Item: 9  COMMUNICATION | Operations Manager Report and Update |
| Presenter(s): | Drew Langston |
| Beginning Time: | 6:20 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | Mr. Langston reviewed the following presentation. |
| On the Record: | None |
| Actual Motion: | None |
| Motion By: | |
| Second By: | |
| Voting: | |
| Ayes: | |
| Nays: | |
| Abstain: | |
| End Time: | 6:26 pm |


**Washington County Service Authority Board of Commissioners
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| Agenda Item: 10  INFRASTRUCTURE | Engineering Report / Construction Projects Update |
| Presenter(s): | Ryan Kiser |
| Beginning Time: | 6:26 pm |
| Potential Conflict(s) of Interest and Abstention(s): | |
| Discussion: | Mr. Kiser updated the Board on the following projects: <ul style="list-style-type: none"> • Hidden Valley Road Phase 2 • Abingdon Water Storage Tank Project • Galvanized Line Phase 3 • Water Line Extension Projects • Lee Highway Sewer Corridor Project • New Development Projects • Exit 14 • Mendota Road and Mary's Chapel Road Project Funding |
| On the Record: | None |
| Actual Motion: | None |
| Motion By: | |
| Second By: | |
| Voting: | |
| Ayes: | |
| Nays: | |
| Abstain: | |
| End Time: | 6:39 pm |


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| Agenda Item: 11  COMMUNICATION | Financial Report and Update |
| Presenter(s): | Rusty Little |
| Beginning Time: | 6:39 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | Mr. Little reported on state of the financials, the upcoming audit and the Accounting Roadmap Recovery Project. |
| On the Record: | None |
| Actual Motion: | None |
| Motion By: | |
| Second By: | |
| Voting: | |
| Ayes: | |
| Nays: | |
| Abstain: | |

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| End Time: | 6:42 pm |
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| Agenda Item: 12  COMMUNICATION | Consideration of Galvanized Waterline Phase 3 Division 2B Change Order No.2 |
| Presenter(s): | Ryan Kiser |
| Beginning Time: | 6:42 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | Mr. Kiser reviewed the attached information with Board. |
| On the Record: | None |
| Actual Motion: | Approve Galvanized Waterline Phase 3 Division 2B Change Order No.2 pending Rural Development approval. |
| Motion By: | Mr. Taylor |
| Second By: | Mr. Hutchinson |
| Voting: Ayes: | 5 |
| Nays: | 0 |
| Abstain: | 0 |
| End Time: | 7:02 pm |

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| Agenda Item: 13  COMMUNICATION | Request Approval of Amendment No. 4 to the Lee Highway Corridor Sewer Improvements Project |
| Presenter(s): | Ryan Kiser |
| Beginning Time: | 7:02 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | Mr. Kiser discussed the details of the Amendment. |
| On the Record: | None |
| Actual Motion: | Approve the Amendment as requested. |
| Motion By: | Mr. Hutchinson |
| Second By: | Mr. Thayer |
| Voting: Ayes: | 5 |
| Nays: | 0 |
| Abstain: | 0 |
| End Time: | 7:02 pm |

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| Agenda Item: 14  COMMUNICATION | Consideration of Office Hours |
| Presenter(s): | Holly Edwards |
| Beginning Time: | 7:20 pm |


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| Potential Conflict(s) of Interest and Abstention(s): | None |
| Discussion: | Board discussed concerns about the current phone system. Needs to be updated. |
| On the Record: | |
| Actual Motion: | Motion to approve a change in office hours as requested to 8:00 am to 5:00 pm Monday through Friday and to begin at Mrs. Edwards discretion. |
| Motion By: | Mr. Thayer |
| Second By: | Mrs. C. Miller |
| Voting: Ayes: | 5 |
| Nays: | 0 |
| Abstain: | 0 |
| End Time: | 7:37 pm |

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| Agenda Item: 15  COMMUNICATION | 2021-2022 Health Care Renewal |
| Presenter(s): | Rusty Little |
| Beginning Time: | 7:38 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Background: | Management has held meetings with its health insurance broker, Health Care Choice, for the 2021-2022 health care renewal. Quotes were received from the incumbent carrier, Nationwide, Companion Life, Anthem and United Health Care. Anthem and UHC submitted proposals for fully insured policies that would not provide any type of premium rebate based on actual claims. Nationwide and Companion Life both provided quotes for level funded policies that permit WCSA to benefit through premium rebates based on actual claims. Since 2018, WCSA has received rebated premiums totaling \$857,117.45 related to the level funded policies. All carriers are at a minimum "A" rated carriers so creditworthiness is not an issue. Nationwide provided a renewal quote, based on the existing 2021 coverage amounts, that reflects a 12.35% increase in premium. HM Life provided a quote matching the 2021 coverage amounts that reflects a 4.57% increase. Companion Life provided a quote that would match the 2021 premium amount but in order to achieve this parity they would require an increase in the employees' deductible and out-of-pocket maximum. Anthem and UHC provided quotes that were 7.25% and 8.72%, respectively, higher than the 2021 premium |
| Discussion: | There was a brief discussion regarding the different options. |
| On the Record: | None |
| Recommendation: | Move to approve the 2021-2022 selection of HM Life, Renewal Option 3, for the 2022 health care coverage year. |
| Proposed Motion: | Move to approve the 2021-2022 selection of HM Life, Renewal Option 3, for the 2022 health care coverage year. |
| Actual Motion: | Approve HM Life Option 3 as recommended. |


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| Motion By: | Mr. Hutchinson |
| Second By: | Mrs. C. Miller |
| Voting: Ayes: | 5 |
| Nays: | 0 |
| Abstain: | 0 |
| End Time: | 7:53 pm |

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| Agenda Item: 16  COMMUNICATION | Consideration of Budget Amendment – Health Insurance 2021-2022 |
| Presenter(s): | Rusty Little |
| Beginning Time: | 7:53 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Background: | The Board approved the 2021 Budget at the June 28, 2021 Board Meeting. Subsequent to the meeting, management has held meetings with its health insurance broker for the 2021-2022 renewal. Based on the quotes provided by the broker it has been determined that the budget amount provided for the 2022 health insurance cost was deficient by \$190,000. This deficiency is a factor of three things. First, the budget was developed using actual figures for nine months through March 31, 2021 and trend analysis was applied to determine an annual cost. WCSA experienced higher than normal claims during its fourth quarter not captured in the trend analysis. Secondly, the 2020-2021 budget was deficient to actual by \$46,000. Thirdly, the 2021-2022 quotes reflected a 4.8% or \$72,000 increase in premium cost over the 2021 year. |
| Discussion: | None |
| On the Record: | None |
| Recommendation: | Subject to answering any questions the Board may have, Staff kindly recommends the Board favorably consider approving the amendment to the 2021 – 2022 Budget as follows: 2021-2022 Additional Budgeted Health Insurance: \$187,000 2021-2022 Total Budgeted Health Insurance: \$1,626,418 |
| Proposed Motion: | Move to approve the 2021-2022 budget amendment to increase budgeted health insurance by \$187,000 and to update Total Budgeted Health Insurance to \$1,626,418. |
| Actual Motion: | Motion to approve the 2021-2022 budget amendment to increase budgeted health insurance by \$187,000 and to update Total Budgeted Health Insurance to \$1,626,418. |
| Motion By: | Mrs. C. Miller |
| Second By: | Mr. Hutchinson |
| Voting: Ayes: | 5 |
| Nays: | 0 |
| Abstain: | 0 |

**Washington County Service Authority Board of Commissioners
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| End Time: | 7:57 pm |
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| Agenda Item: 17  COMMUNICATION | Consideration of Approval of Galvanized Line and Abingdon Storage Tank Bond Resolutions |
| Presenter(s): | Rusty Little |
| Beginning Time: | 7:58 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| On the Record: | None |
| Actual Motion: | Approve the Resolutions totaling \$34,480,000. |
| Motion By: | Mr. Taylor |
| Second By: | Mr. Thayer |
| Voting: | Ayes: 5 |
| | Nays: 0 |
| | Abstain: 0 |
| End Time: | 7:59 pm |

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| Agenda Item: 18  COMMUNICATION | Closed Meeting |
| Presenter(s): | Commissioner |
| Beginning Time: | 8:00 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| On the Record: | None |
| Actual Motion: | Motion to Adjourn to Closed Meeting |
| Motion By: | Mr. Taylor |
| Second By: | Mrs. C. Miller |
| Voting: | Ayes: 5 |
| | Nays: 0 |
| | Abstain: 0 |
| End Time: | 8:01 pm |

**WASHINGTON COUNTY SERVICE AUTHORITY
BOARD OF COMMISSIONERS
Closed Meeting August 23, 2021**

Mr. Taylor moved that the Board of Commissioners of the Washington County Service Authority adjourn to Closed Meeting in accordance with the Virginia Freedom of Information Act for


Consultation with legal counsel and briefings by a staff member pertaining to actual litigation pursuant to Code of Virginia Section 2.2-3711 Paragraph (A)(7), where such consultation and briefing in open meeting would adversely affect the negotiating or litigating posture of the Board, specifically involving the cases of Washington

Washington County Service Authority Board of Commissioners
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County Service Authority v. Bundy, currently pending in the Circuit Court of Washington County, Virginia and Fields v. Washington County Service Authority, currently pending in the United States District Court for the Western District of Virginia.

In addition to the Board of Commissioners the presence of Thomas Dene, WCSA General Counsel, and Robbie Cornett, WCSA General Manager, is requested.

Motion: Mr. Taylor
 Second: Mrs. C. Miller
 Vote: 5-0

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|--|----------------------------------|
| Agenda Item: 19  COMMUNICATION | Return to Open Meeting |
| Presenter(s): | Commissioner |
| Beginning Time: | 9:51 pm |
| Potential Conflict(s) of Interest and Abstention(s): | |
| On the Record: | |
| Actual Motion: | Motion to return to open meeting |
| Motion By: | Mr. Taylor |
| Second By: | Mrs. C. Miller |
| Voting: | Ayes: 5 |
| | Nays: 0 |
| | Abstain: 0 |
| End Time: | 9:52 pm |

Return to Public Meeting

Mr. Taylor moved that the Board return to Open Session.

Certification of Closed Meeting

Mr. Taylor moved that the Board adopt the following resolution:

Whereas, the Board of Commissioners of the Washington County Service Authority has convened a Closed Meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act;

And


Whereas, Section 2.2-3712 Paragraph D of the Code of Virginia requires a certification by this Authority that such Closed Meeting was conducted in conformity with Virginia law;


And


Now, therefore, be it resolved that the Board of Commissioners of the Washington County Service Authority hereby certifies that to the best of each member's knowledge, (1) 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 (2) only such public business matters as were identified in the motion convening the Closed Meeting were heard, discussed or considered by the Board.

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AYE by Mr. Thayer, Mr. Taylor, Mr. Campbell, Mrs. C. Miller and Mr. Hutchinson

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| Agenda Item: 20  COMMUNICATION | Late Items |
| Presenter(s): | Commissioner |
| Beginning Time: | 9:52 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| On the Record: | Mr. Campbell presented the Board with a plaque and commendation for Mr. Orfield in recognition of his service to the residents of Washington County's Monroe District. |
| Actual Motion: | Motion to approve the plaque and commendation in recognition of Mr. Orfield's service as Commissioner. |
| Motion By: | Mr. Taylor |
| Second By: | Mr. Thayer |
| Voting: | Ayes: 5 |
| | Nays: 0 |
| | Abstain: 0 |
| End Time: | 9:54 pm |

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| Agenda Item: 21  COMMUNICATION | Adjourn |
| Presenter(s): | Commissioner |
| Beginning Time: | 9:54 pm |
| Potential Conflict(s) of Interest and Abstention(s): | None |
| Actual Motion: | Motion to adjourn. |
| Motion By: | Mr. Taylor |
| Second By: | Mr. Hutchinson |
| Voting: | Ayes: 5 |
| | Nays: 0 |
| | Abstain: 0 |
| End Time: | 9:54 pm |



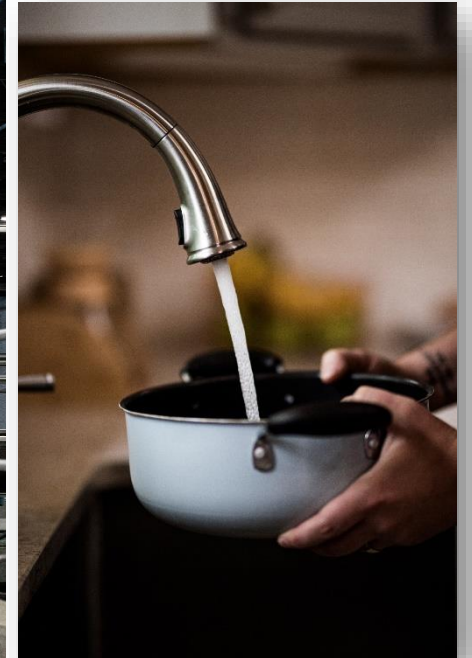
 Wayne Campbell, Chairman



 Carol Ann Shaffer, Assistant Secretary

August 2021

Washington County Service Authority
Water/Wastewater Operations Report



Production Operational Notes

- Production Staff worked with WCSA RPR's and Maintenance Staff to Tie-in the new section of Spring Line at Taylor's Valley (Right)
- Production Staff implemented new jar-testing procedures to optimize chemical usage and study changes in water quality throughout the year (below)
- WCSA had 5 attendees of Virginia Tech's Water/Wastewater Short School to prepare for upcoming examinations.



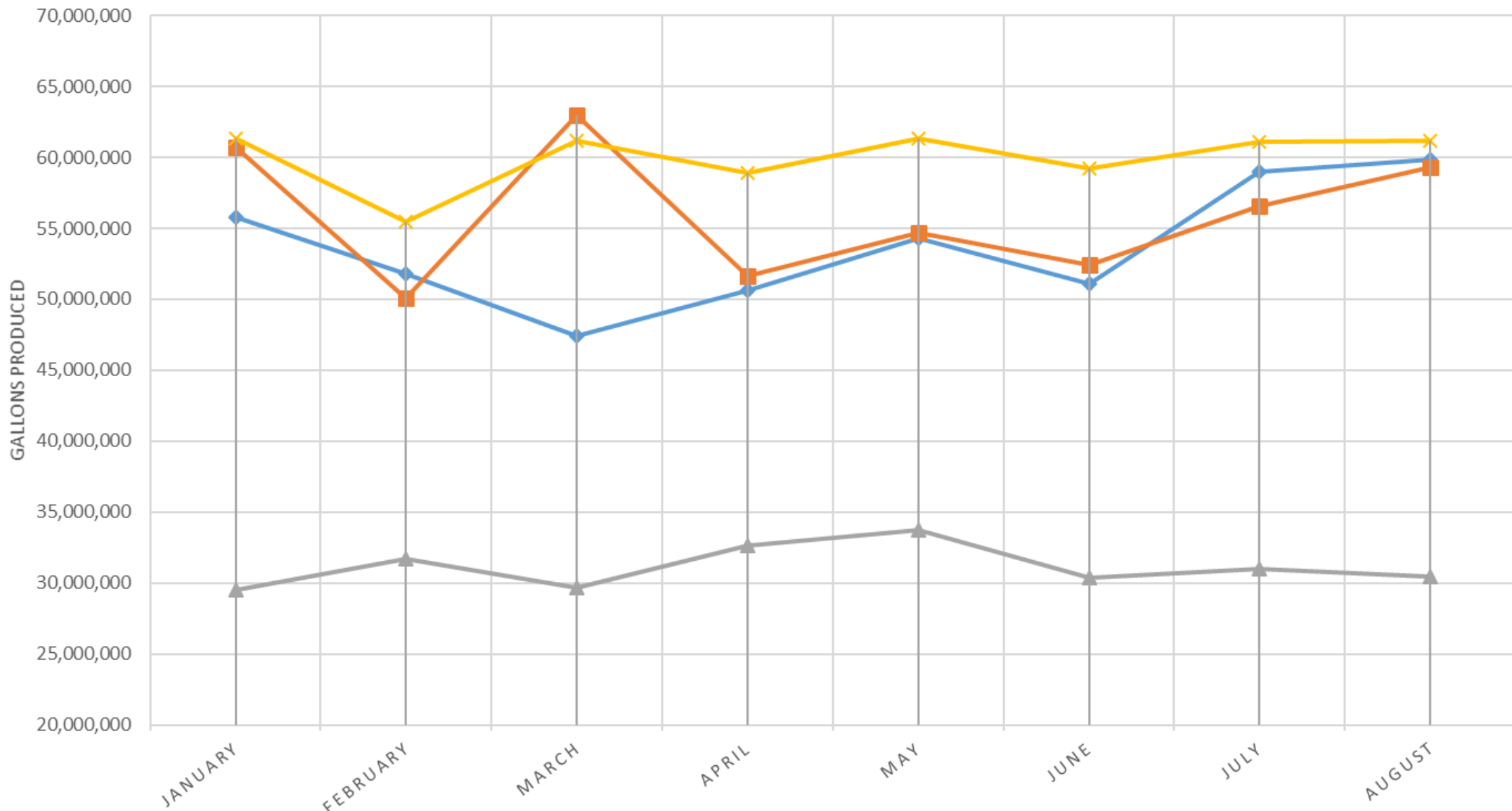
Production Operations Data

August 2021 Withdrawals

| RAW WATER SOURCE | TOTAL VOLUME WITHDRAWN (Gallons) | AVERAGE DAILY WITHDRAWAL (Gallons) |
|---------------------------|-------------------------------------|---------------------------------------|
| Middle Fork Holston River | 59,319,000 | 1,914,000 |
| South Fork Holston River | 59,830,000 | 1,930,000 |
| Reservation Spring | 30,493,517 | 983,662 |
| Cole Spring | 61,174,183 | 1,973,361 |

SOURCE WATER WITHDRAWALS

South Fork Middle Fork Reservation Spring Cole Spring



Production Operations Data

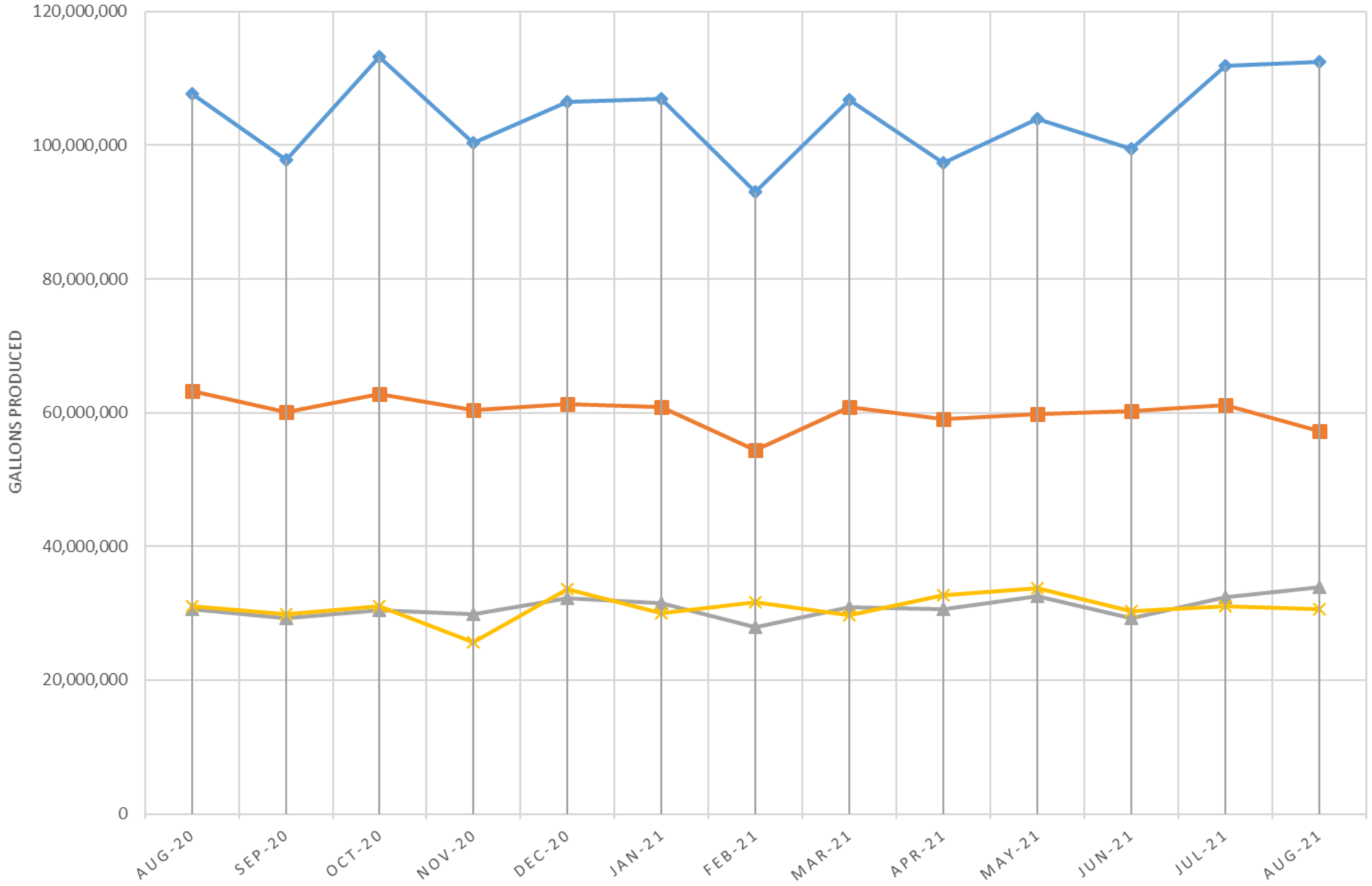
August 2021

Treated Water

| TREATMENT FACILITY | FINISHED WATER PRODUCED (GALLONS) | AVERAGE DAILY PRODUCTION (Gallons) |
|----------------------------------|--------------------------------------|---------------------------------------|
| Middle Fork Drinking Water Plant | 112,523,000 | 3,630,000 |
| Reservation Spring | 30,648,000 | 989,000 |
| Mill Creek (WCSA) | 57,236,000 | 1,846,000 |
| Mill Creek (Chilhowie) | 33,928,000 | 1,094,000 |
| Mendota Well | Purchased from Scott County | Purchased from Scott County |

WATER TREATMENT PRODUCTION

◆ Middle Fork Treated ■ Mill Creek WCSA ▲ Mill Creek TOC ✕ Reservation Spring



Production Operations Data

August 2021 **STABILITY**

| Treatment Facility | Average Raw Water Turbidity | Max Raw Water Turbidity | Average Finished Water Turbidity | Max Finished Water Turbidity |
|--------------------|-----------------------------|-------------------------|----------------------------------|------------------------------|
| Middle Fork DWP | 8 (NTU) | 25 (NTU) | 0.03 (NTU) | 0.04 (NTU) |
| Mill Creek | 0.28 (NTU) | 0.59 (NTU) | 0.02 (NTU) | 0.07 (NTU) |

| Treatment Facility | Average Finished Water Chlorine Residual | Average Distribution Chlorine Residual |
|--------------------|--|--|
| Middle Fork DWP | 2.18 mg/L | 0.95 mg/L |
| Mill Creek | 1.60 mg/L | |

ON TRACK FOR GOLD

August -2021

Wastewater Department Activities

- Performed all DEQ DMR requirements
- Had an overflow at Cardinal Lane on 8/8, reported to DEQ and corrected.
- Started Clarifier Cleaning
- Replaced Influent Digester Valves
- Repaired Chlorine feed line near contact tank
- Performed pump maintenance at Utility Trailer
- Trimmed Vegetation at Pump Stations
- Cleaned tiles (Damascus Drying Beds)
- Installed new grease trap at influent, working really well.

Wastewater Operational Data August 2021

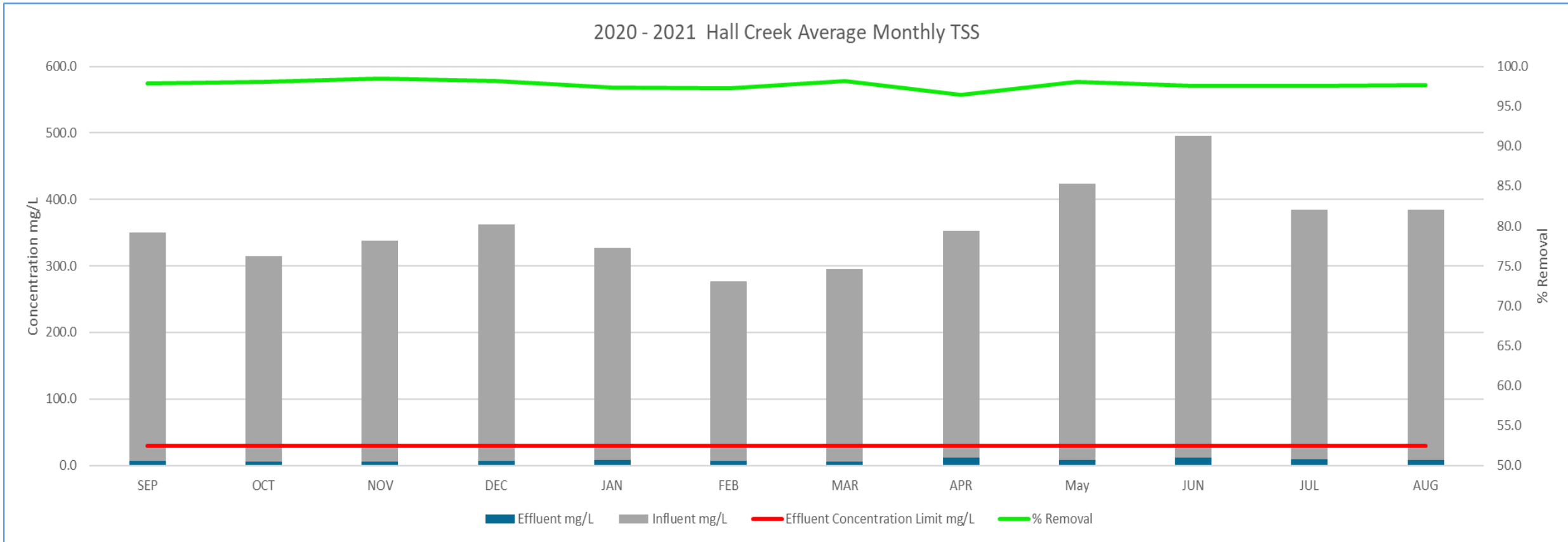
Hall Creek

| | |
|-----------------------------------|------------------|
| TOTAL Gallons Treated | 9,795,000 |
| Average Gallons Treated Per Day | 316,000 |
| Total Precipitation | 4.93" |
| Total Tons of Sludge Disposed | 28.7 |
| Total Lbs of Chlorine Used | 748 |
| Total Lbs. of Sulfur Dioxide used | 520 |

Damascus

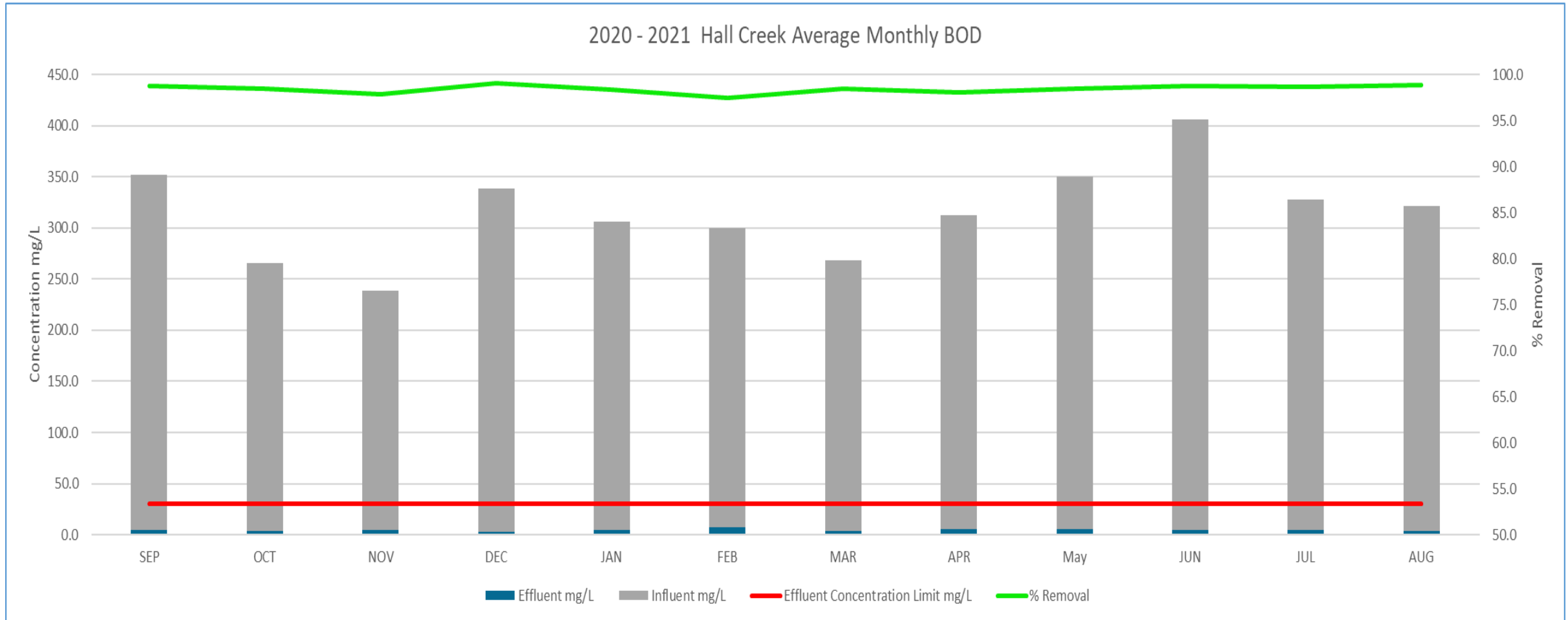
| | |
|-----------------------------------|------------------|
| TOTAL Gallons Treated | 3,480,000 |
| Average Gallons Treated Per Day | 110,000 |
| Total Precipitation | 3.73" |
| Sludge Sent to Landfill | 13,560lbs |
| Total Lbs of Chlorine Used | 156 |
| Total Lbs. of Sulfur Dioxide used | N/A |

Hall Creek Operations: TSS



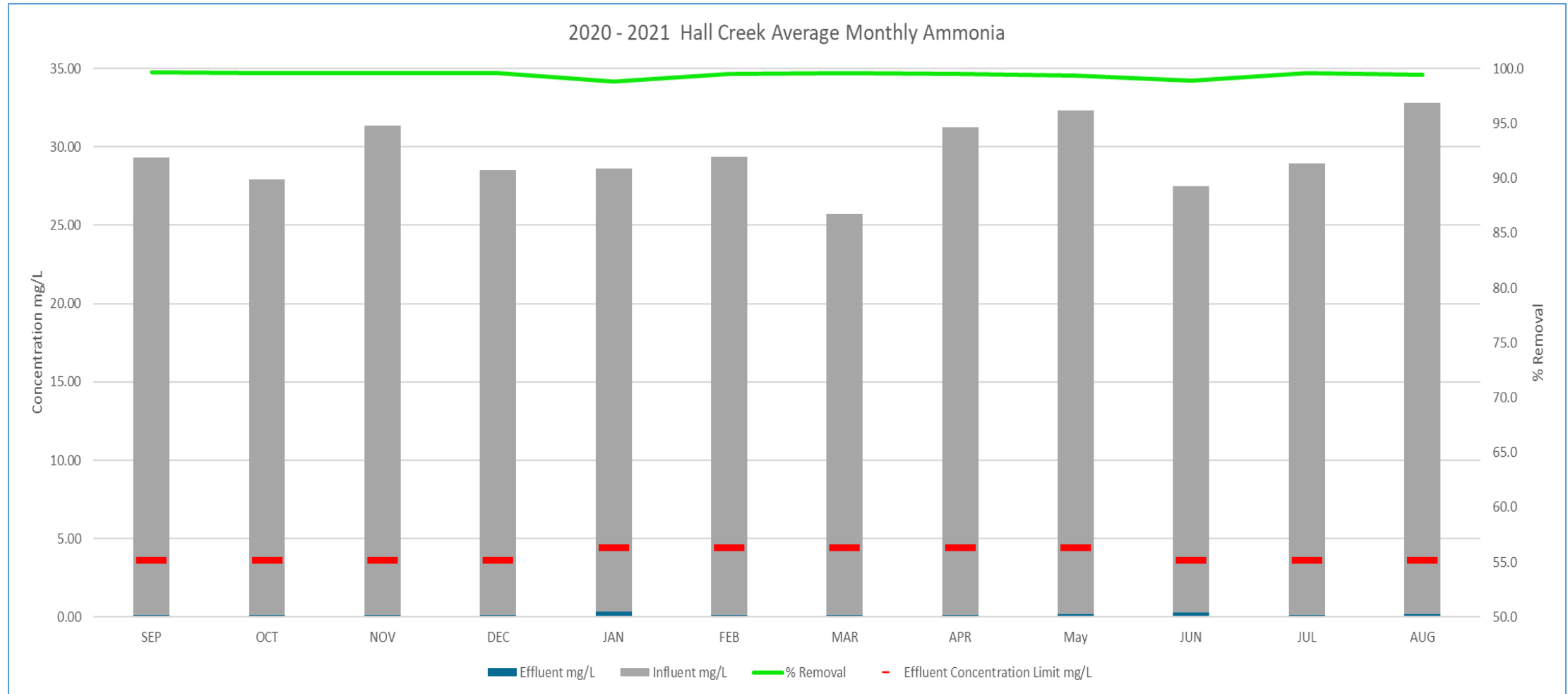
Total Suspended Solids (TSS) removal helps determine the efficiency of wastewater treatment. Effluent results are reported to DEQ on a monthly basis.

Hall Creek Operations: BOD



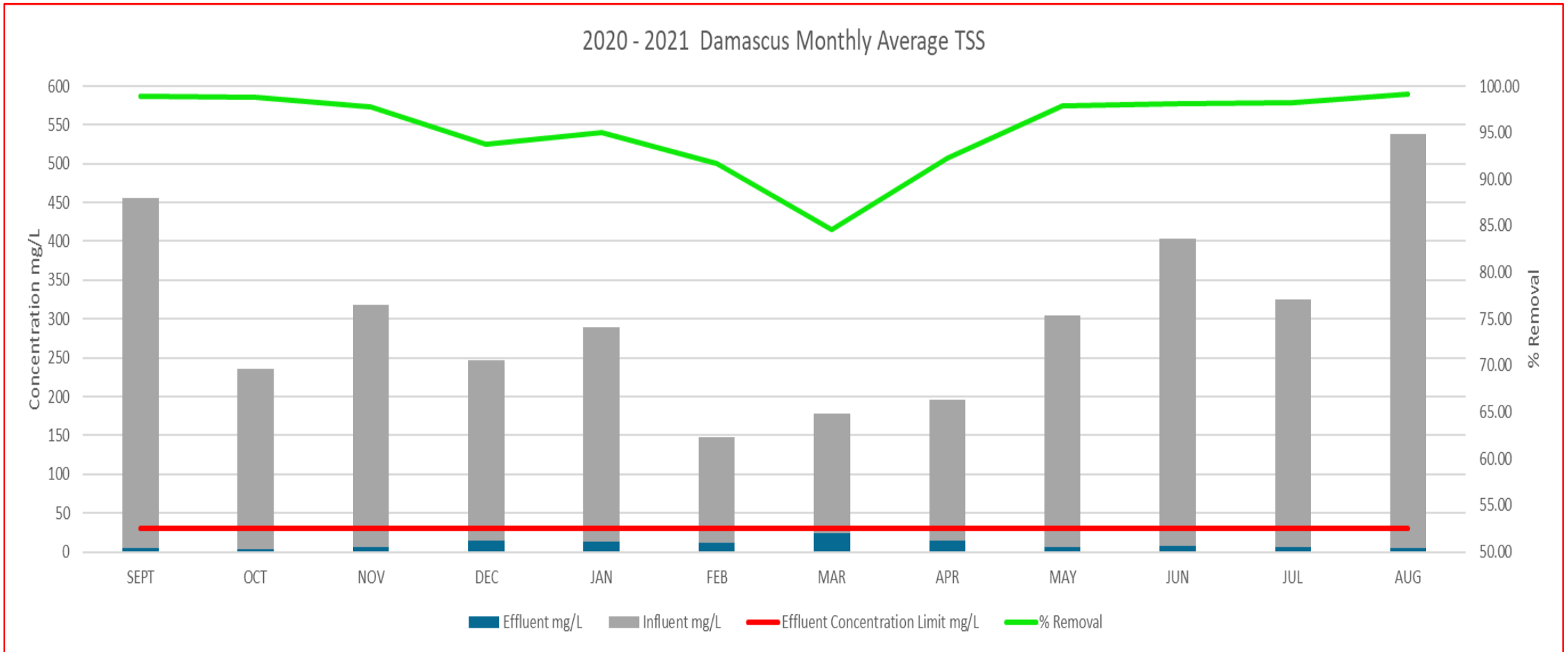
Biochemical Oxygen Demand (BOD) is the strength of wastewater. Percent removal helps determine the efficiency of wastewater treatment. Effluent results are reported to DEQ on a monthly basis.

Hall Creek Operations: Ammonia



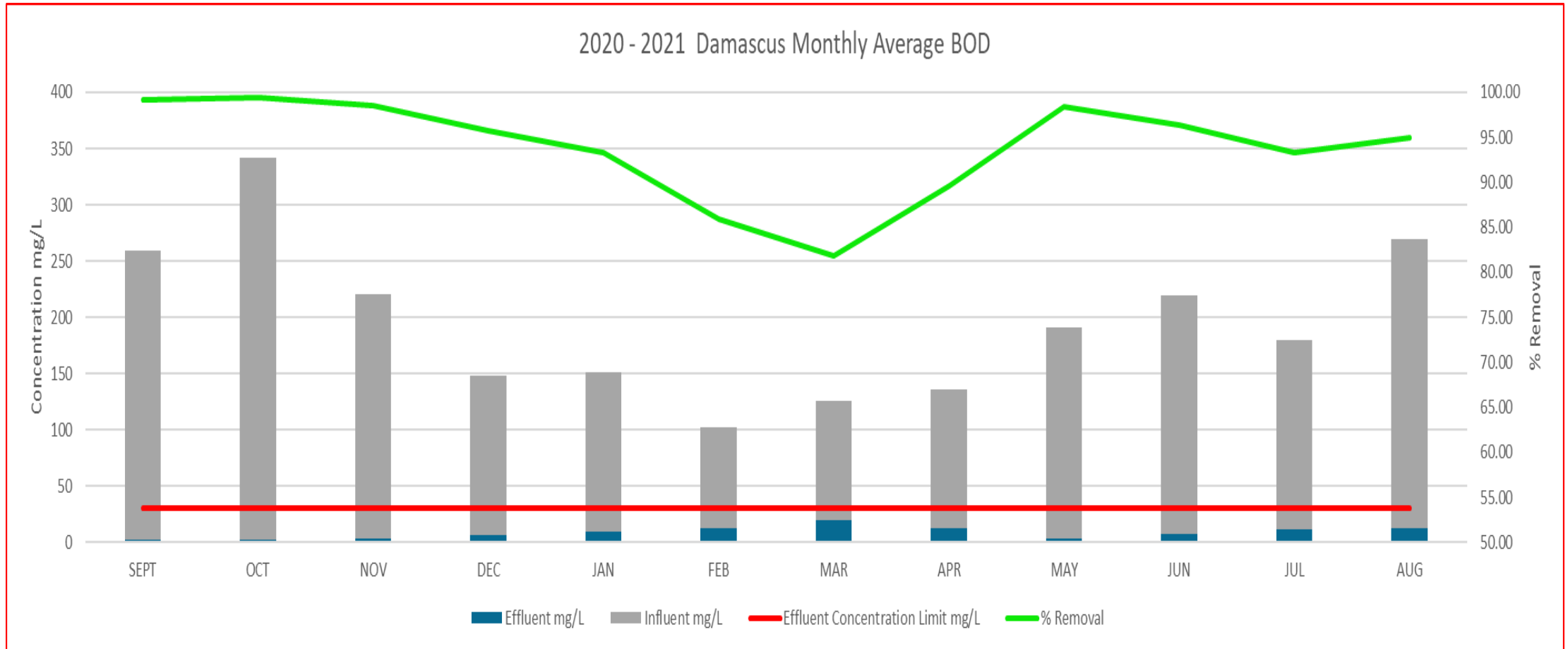
Ammonia is a form of Nitrogen, a natural human waste product. Percent removal helps determine the efficiency of wastewater treatment. Effluent results are reported to DEQ on a monthly basis.

Damascus WWTP Operations: TSS



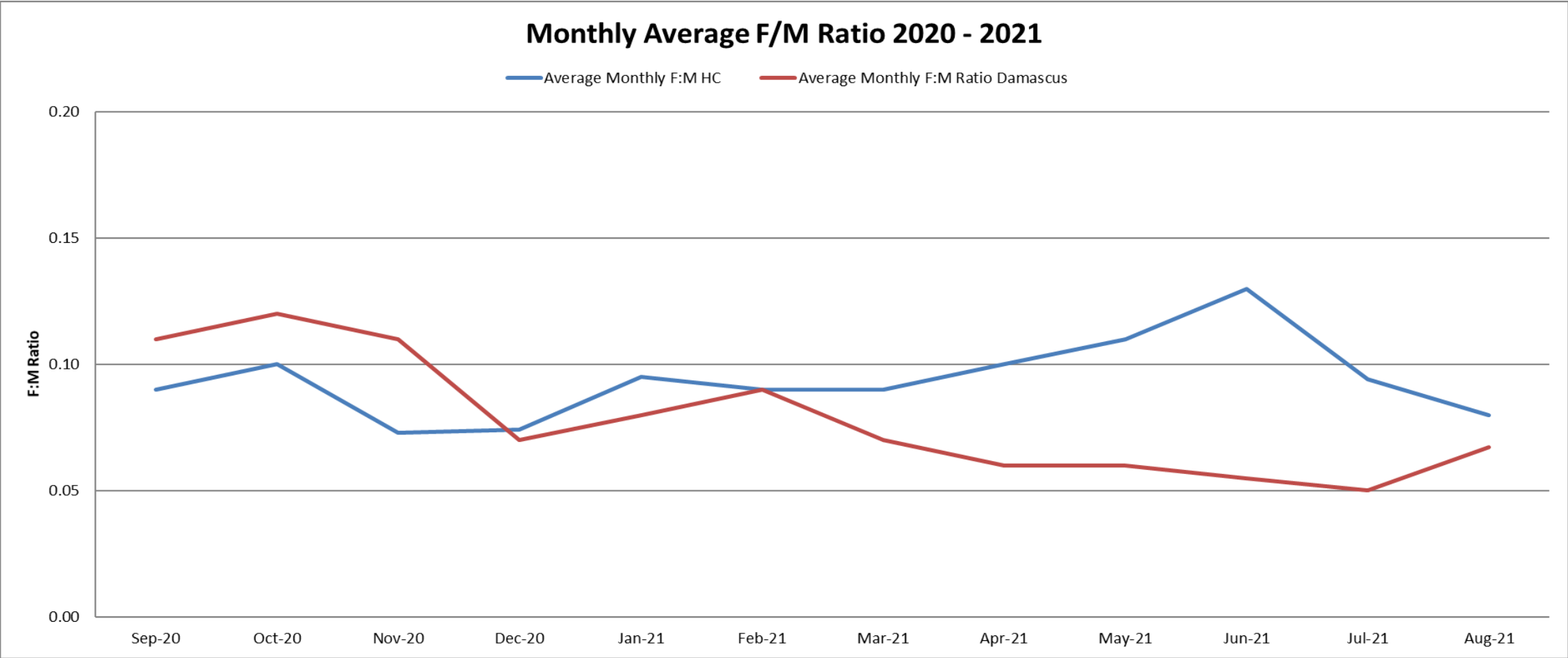
Total Suspended Solids (TSS) removal helps determine the efficiency of wastewater treatment. Effluent results are reported to DEQ on a monthly basis.

Damascus WWTP Operations: BOD



Biochemical Oxygen Demand (BOD) is the strength of wastewater. Percent removal helps determine the efficiency of wastewater treatment. Effluent results are reported to DEQ on a monthly basis.

Food/Microorganism (F/M) Ratio



F:M is monitored on a weekly basis as a process control test. This means that the test is not required by DEQ but helps WCSA monitor treatment so that our regulated samples are in compliance.

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Washington County Service Authority (the "Authority"), hereby certifies that:

1. A regular meeting of the Board of the Authority (the "Board") was duly called and held on August 23, 2021 (the "Meeting"), at which the following Board members were present and absent:

PRESENT:

David Campbell, Chairman
Cathy Miller
Devere Hutchinson
Kenneth Taylor
Kevin Thayer

ABSENT:

Dwain Miller
James Hutton

2. A resolution (the "Resolution") of the Authority entitled "RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$7,000,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF" was duly adopted at the Meeting by the recorded affirmative vote of at least a majority of all of the members of the Board, the ayes and nays being recorded in the minutes of the meeting as shown below:

| <u>MEMBER</u> | <u>VOTE</u> |
|--------------------------|-------------|
| David Campbell, Chairman | Aye |
| Cathy Miller | Aye |
| Devere Hutchinson | Aye |
| Kenneth Taylor | Aye |
| Kevin Thayer | Aye |

3. Attached is a true and correct copy of the Resolution.

WITNESS my signature and the seal of the Washington County Service Authority as of August 23, 2021.

Robert Cornett
Secretary, Washington County Service Authority

[SEAL]

WASHINGTON COUNTY SERVICE AUTHORITY

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$7,000,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF

A. The Washington County Service Authority (the "Authority") is a public body politic and corporate of the Commonwealth of Virginia (the "Commonwealth") created pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act").

B. The Authority has determined that it is necessary and desirable to issue its Water System Revenue Bond, in an aggregate principal amount not to exceed \$7,000,000 (the "Bond"), and to use the proceeds thereof, along with other available funds, if any, to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation the costs of the issuance of the Bond (the "Project").

C. The Bond will be sold by the Authority to the United States of America, acting by and through the United States Department of Agriculture, Rural Development (the "Government"), under the terms of a letter of conditions from the Government to the Authority dated August 12, 2015, as amended by a letter dated September 28, 2020 (collectively, the "Conditions Letter").

D. The Conditions Letter has been presented at this meeting and filed with the Authority's records.

E. In accordance with the terms of the Conditions Letter and the terms set forth in this Resolution, the Bond will be secured by a pledge of the Revenues (as defined below). The Bond will be issued as "Parity Bond," as defined in the Financing Agreements set forth in Exhibit A and as "Additional Parity Indebtedness" as defined in the RD Resolutions set forth in Exhibit A. The Bond will be secured on parity with respect to the pledge of Revenues with the Authority's outstanding bonds set forth in Exhibit B and any other Parity Bonds that may be issued prior to the Bond, with respect to the pledge of Revenues (collectively, the "Existing Parity Indebtedness").

F. The Bond will be issued as an "Additional Prior Bond" as defined in the Subordinate Financing Agreement dated as of June 1, 2002 (the "2002 Subordinate Financing Agreement"), between the Authority and Virginia Resources Authority. The Bond will be secured on a senior basis to the Authority's Water System Revenue Bond, Subordinate Series 2002 (the "Subordinate 2002 Bond"), with respect to the pledge of Revenues.

NOW, THEREFORE, after consideration and in furtherance of the public purposes for which the Authority was created, be it resolved that:

1. **Authorization of Bond and Use of Proceeds.** The Authority hereby finds and determines that it is advisable and in the best interest of the Authority to contract a debt and to

issue the Bond in an aggregate principal amount not to exceed \$7,000,000 to be designated the "Washington County Service Authority, Water System Revenue Bond, Taxable Series 2021[___]," or such other designation as may be approved by the General Manager of the Authority. The proceeds from the issuance and sale of the Bond shall be used, together with other available funds, if any, to pay the costs of the Project.

2. Sale of Bond and Acceptance of Conditions Letter. After consideration of the possible methods of sale of the Bond and current conditions of the municipal bond market, the Authority hereby finds and determines that it will benefit the customers of the Authority through the promotion of their safety, health, welfare, convenience or prosperity for the Authority to contract a debt and to issue and sell the Bond to the Government and that it is in the best interest of the Authority to accept the offer of the Government to purchase the Bond upon the terms set forth in the Conditions Letter. Such offer is hereby accepted, and the Authority hereby agrees to meet such terms.

3. Details of Bond. The Bond shall be in such denominations as requested by the Government. The series designation of the Bond may be altered by the General Manager to reflect the year and sequence in which the Bond is issued or the requirements of the Government. The Bond shall bear interest at the rate of the lower of (i) 2.125% per year, or (ii) the rate quoted by the Government as the interest rate effective on the Closing Date (as defined below). The execution and delivery of the Bond on the Authority's behalf shall conclusively evidence the interest rate stated in the applicable Bond as having been approved and authorized by this Resolution. The Bond shall be in fully registered form, shall be numbered consecutively beginning with R-1 and shall be dated the date of its delivery to the Government or such other customary date required by the Government (the "Closing Date"). Payments for the 480 months will be equal amortized monthly installments to be paid until the principal of the applicable Bond is paid in full. If not sooner paid, the final installment on the Bond shall be due and payable 40 years from its Closing Date. Any payment on the Bond shall be applied first to interest accrued to the payment date and then to principal. Installments shall be payable in lawful money of the United States of America and shall, in accordance with the Preauthorized Debit (PAD) payment process or such other subsequent payment process specified by the Government, be electronically debited from the Authority's account on each day payment is due.

4. Form of Bond. The Bond shall be in substantially the form presented at this meeting as attached as Exhibit C, with such variations, insertions, and deletions as may be approved by the General Manager. There may be endorsed on the Bond such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

At the request of the Government, the Bond may be delivered as a fully registered Bond in the alternative form presented at this meeting providing for principal advances to be made from time to time by the Government in an aggregate amount not to exceed \$7,000,000. An authorized officer of the Government shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances attached to the Bond when the proceeds of such advance are delivered to the Authority. Each such principal advance shall bear interest from the date of such advance so entered on the certificate.

5. **Execution of Bond.** The Bond shall be signed by the General Manager.

6. **Registration, Transfer and Exchange.** The Bond shall be fully registered as to both principal and interest. Transfer of the Bond may be registered upon books maintained for that purpose at the office of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner of the Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner. The Treasurer of the Authority is appointed as the initial Bond Registrar. The General Manager may appoint a subsequent Bond Registrar and/or one or more paying agents for the Bond upon giving written notice to the registered owners of the Bond specifying the name and location of the principal office of any such Bond Registrar or paying agent. The Bond shall be registered initially in the name of the "United States of America."

7. **Prepayment of Bond.** Installments of principal due on the Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of maturity) without premium. Notwithstanding the above, the Authority may at any time deliver moneys to the Government with instructions that such moneys be credited against future installments due on the Bond in inverse chronological order. Prepayments shall not affect the obligation of the Authority to pay the remaining installments payable as provided in Section 3 of this Resolution.

8. **Definitions.** Each of the following capitalized terms shall have the meaning given to it below:

(a) "Operating Expenses" means the costs of operating and maintaining the Water System determined under generally accepted accounting principles, exclusive of (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

(b) "Parity Indebtedness" means, collectively, (i) the Bond, (ii) the Existing Parity Indebtedness, and (iii) any Additional Parity Indebtedness described in Section 11 of this Resolution.

(c) "Revenues" means (i) all rates, fees, rentals, charges, income and money properly allocable to the Water System under generally accepted accounting principles (provided that the Authority may determine to include any cash or deferred revenues derived from availability or connection fees, even if all or a part thereof are excluded from current revenues under generally accepted accounting principles) or resulting from the Authority's ownership or operation of the Water System, excluding customer and other deposits subject to refund until such deposits have become the Authority's property, (ii) the proceeds of any insurance covering business interruption loss relating to the Water System, (iii) interest on any money or securities relating to the Water System held by or on behalf of the Authority, and (iv) any other money from other sources pledged by or on behalf of the Authority to the payment of the Bond.

(d) "Water System" means all plants, systems, facilities, equipment or property owned, operated or maintained by the Authority, and used in connection with the supply, treatment, storage or distribution of water as the same may from time to time exist.

9. Pledge of Revenues and Debt Service Reserve. Subject to the Authority's right to apply the Revenues to the payment of Operating Expenses, the Revenues are hereby pledged to secure the payment of the principal of and interest on the Bond. This pledge shall be valid and binding from and after the issuance and delivery of the Bond. The Revenues, as received by the Authority, 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 shall be on a parity with the lien of the pledge securing the Existing Parity Indebtedness and any Additional Parity Indebtedness (as defined Section 11 of this Resolution). The lien of this pledge shall, subject to the right of the Authority to apply Revenues to the payment of Operating Expenses, have priority over all other obligations and liabilities of the Authority, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Authority regardless of whether such parties have notice of this pledge.

In addition, the Authority shall establish a debt service reserve (the "Debt Service Reserve") pursuant to the terms of the Conditions Letter, which is hereby pledged solely to secure the payment of the principal of and interest on the Bond.

10. Covenants. It is hereby covenanted and agreed with the registered owner(s) of the Bond that so long as any of the installments of principal or interest on the Bond is outstanding and unpaid, the Authority will:

(a) Charge rates, fees and other charges to users of the Water System and fix and maintain such rates, fees and other charges at such level as will produce sufficient Revenues in each fiscal year of the Authority to pay (i) the Operating Expenses with respect to the Water System for such fiscal year, (ii) the installments of principal and interest on the Bond and the other Parity Indebtedness, as the same respectively become due during such fiscal year, and (iii) to maintain the minimum requirements with respect to such fiscal year in the reserves to be established and maintained as provided in the Conditions Letter (the "Reserves"), including the Debt Service Reserve;

(b) Apply the Revenues received by the Authority in each fiscal year first to the payment of the Operating Expenses during such fiscal year, then to the payment of the installments of principal and interest on the Bond and the other Parity Indebtedness becoming due during such fiscal year, then to restore the balances in the Reserves to their minimum requirements with respect to such year, and then to any other lawful purpose of the Authority;

(c) Segregate and keep segregated from all other Authority funds all Revenues and keep proper records and accounts therefor, separate and apart from all other municipal records and accounts;

(d) Not permit connections to or use of the Water System or provide any services of the Water System without making a charge therefor;

(e) 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 Water System for the amount of all delinquent rates, fees and other charges where such action is permitted by law.

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

11. Additional Parity Indebtedness. Subject to the provisions of Section 12 of this Resolution, the Authority may issue or incur additional bonds, notes or other evidences of indebtedness secured by a pledge of the Revenues of the Water System on a parity with the pledge securing the Bond as provided in Section 9 of this Resolution ("Additional Parity Indebtedness") (i) to finance the costs of completing the Project, (ii) to finance the costs of improvements, additions, extensions, replacements, equipment or betterments and of any property, rights or easements deemed by the Authority to be necessary, useful or convenient for the Water System, (iii) to refund the Bond or other Parity Indebtedness then outstanding or (iv) to effect some combination of (i), (ii) and (iii). Any Additional Parity Indebtedness shall be in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

12. Issuance of Additional Parity Indebtedness. Additional Parity Indebtedness may be issued to complete the Project. Otherwise, Additional Parity Indebtedness may not be issued unless acceptable documentation is provided establishing that Net Revenues for the fiscal year following the year in which such Additional Parity Indebtedness is to be issued will be at least 120 percent of the average annual debt service requirements on all outstanding Parity Indebtedness, including the Additional Parity Indebtedness proposed to be issued. For purposes of this Section 12, Net Revenues means the Revenues less amounts necessary to pay Operating Expenses. This limitation may be waived or modified by the written consent of the holders representing 75 percent of the then outstanding Parity Indebtedness.

13. Junior or Subordinate Indebtedness. Bonds, notes or other evidences of indebtedness that are secured on a junior or subordinate basis to the Parity Indebtedness with respect to the pledge of the Revenues may be issued in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

14. Delivery of Bond. The General Manager and the Secretary and Assistant Secretary are hereby authorized and directed to take all proper steps to have the Bond prepared and executed in accordance with their terms and to deliver the Bond to the Government upon (i) payment of the purchase price thereof or (ii) if the Bond is delivered in the alternative form providing for principal

advances to be made from time to time by the Government, receipt by such officer of the Government's agreement to make such advances.

15. Mandatory Refinancing of Bond. The Authority shall refinance the unpaid principal balance of the Bond upon the request of the Government if at any time it shall appear to the Government that the Authority is able to refinance the amount of the Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time. The Authority will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

16. Further Actions. The General Manager, the Deputy General Manager, the Secretary and the Assistant Secretary of the Authority and such other officers and agents of the Authority as they may designate are authorized and directed to take such further actions as they deem necessary or appropriate regarding the issuance, sale and delivery of the Bond, including, without limitation, the preparation, execution and delivery of any agreement relative to the Bond, the proceeds thereof, or the security therefor, or the Project, as contemplated by or required under the Conditions Letter. All such actions previously taken by officers and agents of the Authority in connection with the issuance, sale, and delivery of the Bond is hereby ratified and confirmed to the extent that they were consistent with this Resolution.

17. Filing of Resolution. Counsel to the Authority is authorized and directed to file a certified copy of this Resolution with the Circuit Court of Washington County, Virginia, pursuant to Section 15.2-5126 of the Code of Virginia of 1950, as amended.

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

Adopted this 23rd day of August, 2021.

Robert Cornett
Secretary, Washington County Service Authority

EXHIBIT A

The term "Financing Agreements" shall mean collectively the following:

Financing Agreement dated as of September 1, 2000, between the Authority and the Virginia Water Supply Revolving Fund (the "Fund");

Financing Agreement dated as of August 1, 2001, between the Authority and the Fund;

Financing Agreement dated as of September 1, 2001, between the Authority and Virginia Resources Authority ("VRA") as Administrator of the Fund;

Financing Agreement dated as of December 1, 2002, between the Authority and VRA;

Financing Agreement dated as of April 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of October 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of February 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2011, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2014, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2015, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2016, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2017, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Local Bond Sale and Financing Agreement dated as of September 20, 2019, between the Authority and VRA;

Financing Agreement dated as of March 1, 2020, between the Authority and VRA, as Administrator of the Fund; and

Financing Agreement dated as of August 1, 2020, between the Authority and VRA, as Administrator of the Fund.

The term "RD Resolutions" means

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$26,580,000 Water System Revenue Bonds, Taxable Series 2010, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted December 28, 2009.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$5,360,000 Water System Revenue Bonds, Taxable Series 2010D, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted April 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$2,755,000 Water System Revenue Bonds, Taxable Series 2010C, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted March 22, 2010, as amended September 27, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bonds, Taxable Series 2010E, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted July 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$1,462,000 Water System Revenue Bonds, Taxable Series 2013, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted June 24, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bond, Taxable Series 2014, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted November 20, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Water System Revenue Bonds, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted August 28, 2017.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$8,450,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$9,600,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$9,130,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

EXHIBIT B

The term "Parity Bonds" shall mean collectively the following:

- Water System Revenue Bond, Taxable Series 2000 (the "2000 Bond");
- Water System Revenue Bond, Taxable Series 2001 (the "2001A Bond");
- Water System Revenue Bond, Taxable Series 2001B (the "2001B Bond");
- Water System Revenue Bond, Taxable Series 2002 (the "2002 Bond");
- Water System Revenue Bond, Taxable Series 2003A (the "2003A Bond");
- Water System Revenue Bond, Taxable Series 2003C (the "2003C Bond");
- Water System Revenue Bond, Taxable Series 2005 (the "2005 Bond");
- Water System Revenue Bond, Taxable Series 2005B (the "2005B Bond");
- Water System Revenue Bond, Taxable Series 2007A (the "2007A Bond");
- Water System Revenue Bond, Taxable Series 2007B (the "2007B Bond");
- Water System Revenue Bond, Taxable Series 2008A (the "2008A Bond");
- Water System Revenue Bond, Taxable Series 2008B (the "2008B Bond");
- Water System Revenue Bond, Taxable Series 2010A (the "2010A Bond");
- Water System Revenue Bond, Taxable Series 2010B (the "2010B Bond");
- Water System Revenue Bond, Taxable Series 2010C (the "2010C Bond");
- Water System Revenue Bond, Taxable Series 2010D (the "2010D Bond");
- Water System Revenue Bond, Taxable Series 2010E (the "2010E Bond");
- Water System Revenue Bond, Taxable Series 2010F (the "2010F Bond");
- Water System Revenue Bonds, Taxable Series 2010G (the "2010G Bonds");
- Water System Revenue Bond, Taxable Series 2010H (the "2010H Bond");
- Water System Revenue Bond, Taxable Series 2010I (the "2010I Bond");

Water System Revenue Bond, Taxable Series 2010J (the "2010J Bond");
Water System Revenue Bond, Taxable Series 2011 (the "2011 Bond");
Water System Revenue Bond Taxable Series 2013 (the "2013A Bond");
Water System Revenue Bond, Taxable Series 2013B (the "2013B Bond");
Water System Revenue Bond, Taxable Series 2013C (the "2013C Bond");
Water System Revenue Bond, Taxable Series 2014A (the "2014A Bond");
Water System Revenue Bond, Taxable Series 2014B (the "2014B Bond");
Water System Revenue Bond, Taxable Series 2014C (the "2014C Bond");
Water System Revenue Bond, Taxable Series 2015A (the "2015A Bond");
Water System Revenue Bond, Taxable Series 2016 (the "2016 Bond");
Water System Revenue Bond, Taxable Series 2017A (the "2017A Bond");
Water System Revenue Bond, Taxable Series 2017C (the "2017C Bond");
Water System Revenue Bond, Taxable Series 2017D (the "2017D Bond");
Water System Revenue Bond, Taxable Series 2019A (the "2019A Bond");
Water System Revenue Bond, Taxable Series 2019B (the "2019B Bond");
Water System Revenue Bond, Series 2019C (the "2019C Bond");
Water System Revenue Bond, Taxable Series 2020A (the "2020A Bond");
Water System Revenue Bond, Taxable Series 2020B (the "2020B Bond");
Water System Revenue Bond, Taxable Series 2021B (the "2021B Bond");
Water System Revenue Bond, Taxable Series 2021C (the "2021C Bond"); and
Water System Revenue Bond, Taxable Series 2021D (the "2021D Bond").

EXHIBIT C

FORM OF BOND

The Washington County Service Authority makes no representations or warranties and is providing no legal opinion regarding the status of interest on this Bond, if any, for federal income tax purposes. Interest on this Bond, if any, is expected to be included in gross income for federal income tax purposes.

No. R-1

\$ _____

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA**

WASHINGTON COUNTY SERVICE AUTHORITY

Water System Revenue Bond, Taxable Series 2021[___]

Washington County Service Authority, a public body politic and corporate of the Commonwealth of Virginia (the "Authority"), for value received, hereby acknowledges itself indebted and promises to pay to the United States of America, or registered assigns, the principal sum equal to [the aggregate amount of principal advances shown on the attached Certificate of Principal Advances, but not to exceed the sum¹] of

_____ AND 00/100 DOLLARS
(\$ _____)

and to pay to the registered owner hereof interest on the unpaid principal from the date hereof [or the date of each principal advance shown on the attached Certificate of Principal Advances¹] until payment of the entire principal sum at the rate of two and one-eighth percent (2.125%) per year. Installments of combined principal and interest of \$ _____ are payable beginning _____, 201_, and continuing on the same day of each month thereafter until the principal of this Bond is paid in full. Any payment on this Bond shall be applied first to interest accrued to such payment date and then to principal. If not sooner paid, the final installment shall be due and payable 40 years from the date hereof. Such installments shall be payable in lawful money of the United States of America and shall be electronically debited from the Authority's account on the day payment is due.

This Bond (the "Bond") that have been authorized by a resolution duly adopted by the Authority on August 23, 2021 (the "Bond Resolution"), and issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended, to provide funds to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation

¹ Alternative language to be used if the Government requests provision for principal advances.

the costs of the issuance of the Bond. Reference is hereby made to the Bond Resolution and any amendments thereto for the provisions, among others, describing the pledge and covenants securing the Bond, the nature and extent of the security, the terms and conditions upon which the Bond have been issued, the rights and obligations of the Authority, and the rights of the registered owner of this Bond.

The principal of and interest on this Bond are secured by a pledge of the Revenues (as defined in the Bond Resolution) of the Water System (as defined in the Bond Resolution) pursuant to the terms of the Bond Resolution. Such pledge is on parity with the pledge of the Revenues of the Water System securing the Authority's Existing Parity Indebtedness (as defined in the Bond Resolution) and any Additional Parity Indebtedness (as defined in the Bond Resolution) that may be issued from time to time pursuant to the terms of the Bond Resolution. **NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BOND OR THE OTHER COSTS INCIDENT TO IT, IF ANY, EXCEPT FROM THE REVENUES AND ANY OTHER MONEY OR PROPERTY PLEDGED FOR SUCH PURPOSE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND OR OTHER COSTS INCIDENT TO IT, IF ANY. THE ISSUANCE OF THIS BOND DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, TO LEVY ANY TAXES FOR THE PAYMENT OF THIS BOND.**

This Bond is fully registered as to both principal and interest in the name of the United States of America. Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Installments of the principal due on this Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of their maturities), without premium. Prepayments of installments of principal shall not affect the obligation of the Authority to pay the remaining installments payable as provided above.

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, and this Bond, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[Signature Page Follows]

IN WITNESS WHEREOF, the Washington County Service Authority has caused this Bond to be signed by the General Manager and the Authority's seal to be affixed and attested by the signature of the Assistant Secretary.

[SEAL]

**WASHINGTON COUNTY SERVICE
AUTHORITY**

By: _____
Name: Robert Cornett
Title: General Manager

ATTEST:

By: _____
Name: _____
Title: Assistant Secretary

[Signature Page to Washington County Service Authority
Water System Revenue Bond, Taxable Series 2021__]

TRANSFER OF BOND

The transfer of this Bond may be registered by the registered owner or its duly authorized attorney upon presentation hereof to the Bond Registrar who shall make note of such transfer in books kept by the Bond Registrar for that purpose and in the registration blank below:

| <u>Date of Registration</u> | <u>Name of Registered Owner</u> | <u>Signature of Bond Registrar</u> |
|-----------------------------|---------------------------------|------------------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

CERTIFICATE OF PRINCIPAL ADVANCES²

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

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

² Certificate of Principal Advances to be used if the Government requests provision for principal advances.

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Washington County Service Authority (the "Authority"), hereby certifies that:

1. A regular meeting of the Board of the Authority (the "Board") was duly called and held on August 23, 2021 (the "Meeting"), at which the following Board members were present and absent:

PRESENT:

- David Campbell, Chairman
- Devere Hutchinson
- Cathy Miller
- Kenneth Taylor
- Kevin Thayer

ABSENT:

- Dwain Miller
- James Hutton

2. A resolution (the "Resolution") of the Authority entitled "RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$8,450,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF" was duly adopted at the Meeting by the recorded affirmative vote of at least a majority of all of the members of the Board, the ayes and nays being recorded in the minutes of the meeting as shown below:

| <u>MEMBER</u> | <u>VOTE</u> |
|--------------------------|-------------|
| David Campbell, Chairman | Aye |
| Cathy Miller | Aye |
| Devere Hutchinson | Aye |
| Kenneth Taylor | Aye |
| Kevin Thayer | Aye |

3. Attached is a true and correct copy of the Resolution.

WITNESS my signature and the seal of the Washington County Service Authority as of August 23, 2021.

Robert Cornett
Secretary, Washington County Service Authority

[SEAL]

WASHINGTON COUNTY SERVICE AUTHORITY

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$8,450,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF

A. The Washington County Service Authority (the "Authority") is a public body politic and corporate of the Commonwealth of Virginia (the "Commonwealth") created pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act").

B. The Authority has determined that it is necessary and desirable to issue its Water System Revenue Bond, in an aggregate principal amount not to exceed \$8,450,000 (the "Bond"), and to use the proceeds thereof, along with other available funds, if any, to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation the costs of the issuance of the Bond (the "Project").

C. The Bond will be sold by the Authority to the United States of America, acting by and through the United States Department of Agriculture, Rural Development (the "Government"), under the terms of a letter of conditions from the Government to the Authority dated August 12, 2015, as amended by a letter dated September 28, 2020 (collectively, the "Conditions Letter").

D. The Conditions Letter has been presented at this meeting and filed with the Authority's records.

E. In accordance with the terms of the Conditions Letter and the terms set forth in this Resolution, the Bond will be secured by a pledge of the Revenues (as defined below). The Bond will be issued as "Parity Bond," as defined in the Financing Agreements set forth in Exhibit A and as "Additional Parity Indebtedness" as defined in the RD Resolutions set forth in Exhibit A. The Bond will be secured on parity with respect to the pledge of Revenues with the Authority's outstanding bonds set forth in Exhibit B and any other Parity Bonds that may be issued prior to the Bond, with respect to the pledge of Revenues (collectively, the "Existing Parity Indebtedness").

F. The Bond will be issued as an "Additional Prior Bond" as defined in the Subordinate Financing Agreement dated as of June 1, 2002 (the "2002 Subordinate Financing Agreement"), between the Authority and Virginia Resources Authority. The Bond will be secured on a senior basis to the Authority's Water System Revenue Bond, Subordinate Series 2002 (the "Subordinate 2002 Bond"), with respect to the pledge of Revenues.

NOW, THEREFORE, after consideration and in furtherance of the public purposes for which the Authority was created, be it resolved that:

1. **Authorization of Bond and Use of Proceeds.** The Authority hereby finds and determines that it is advisable and in the best interest of the Authority to contract a debt and to

issue the Bond in an aggregate principal amount not to exceed \$8,450,000 to be designated the "Washington County Service Authority, Water System Revenue Bond, Taxable Series 2021[___]," or such other designation as may be approved by the General Manager of the Authority. The proceeds from the issuance and sale of the Bond shall be used, together with other available funds, if any, to pay the costs of the Project.

2. Sale of Bond and Acceptance of Conditions Letter. After consideration of the possible methods of sale of the Bond and current conditions of the municipal bond market, the Authority hereby finds and determines that it will benefit the customers of the Authority through the promotion of their safety, health, welfare, convenience or prosperity for the Authority to contract a debt and to issue and sell the Bond to the Government and that it is in the best interest of the Authority to accept the offer of the Government to purchase the Bond upon the terms set forth in the Conditions Letter. Such offer is hereby accepted, and the Authority hereby agrees to meet such terms.

3. Details of Bond. The Bond shall be in such denominations as requested by the Government. The series designation of the Bond may be altered by the General Manager to reflect the year and sequence in which the Bond is issued or the requirements of the Government. The Bond shall bear interest at the rate of the lower of (i) 2.125% per year, or (ii) the rate quoted by the Government as the interest rate effective on the Closing Date (as defined below). The execution and delivery of the Bond on the Authority's behalf shall conclusively evidence the interest rate stated in the applicable Bond as having been approved and authorized by this Resolution. The Bond shall be in fully registered form, shall be numbered consecutively beginning with R-1 and shall be dated the date of its delivery to the Government or such other customary date required by the Government (the "Closing Date"). Payments for the 480 months will be equal amortized monthly installments to be paid until the principal of the applicable Bond is paid in full. If not sooner paid, the final installment on the Bond shall be due and payable 40 years from its Closing Date. Any payment on the Bond shall be applied first to interest accrued to the payment date and then to principal. Installments shall be payable in lawful money of the United States of America and shall, in accordance with the Preauthorized Debit (PAD) payment process or such other subsequent payment process specified by the Government, be electronically debited from the Authority's account on each day payment is due.

4. Form of Bond. The Bond shall be in substantially the form presented at this meeting as attached as Exhibit C, with such variations, insertions, and deletions as may be approved by the General Manager. There may be endorsed on the Bond such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

At the request of the Government, the Bond may be delivered as a fully registered Bond in the alternative form presented at this meeting providing for principal advances to be made from time to time by the Government in an aggregate amount not to exceed \$8,450,000. An authorized officer of the Government shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances attached to the Bond when the proceeds of such advance are delivered to the Authority. Each such principal advance shall bear interest from the date of such advance so entered on the certificate.

5. **Execution of Bond.** The Bond shall be signed by the General Manager.

6. **Registration, Transfer and Exchange.** The Bond shall be fully registered as to both principal and interest. Transfer of the Bond may be registered upon books maintained for that purpose at the office of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner of the Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner. The Treasurer of the Authority is appointed as the initial Bond Registrar. The General Manager may appoint a subsequent Bond Registrar and/or one or more paying agents for the Bond upon giving written notice to the registered owners of the Bond specifying the name and location of the principal office of any such Bond Registrar or paying agent. The Bond shall be registered initially in the name of the "United States of America."

7. **Prepayment of Bond.** Installments of principal due on the Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of maturity) without premium. Notwithstanding the above, the Authority may at any time deliver moneys to the Government with instructions that such moneys be credited against future installments due on the Bond in inverse chronological order. Prepayments shall not affect the obligation of the Authority to pay the remaining installments payable as provided in Section 3 of this Resolution.

8. **Definitions.** Each of the following capitalized terms shall have the meaning given to it below:

(a) "Operating Expenses" means the costs of operating and maintaining the Water System determined under generally accepted accounting principles, exclusive of (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

(b) "Parity Indebtedness" means, collectively, (i) the Bond, (ii) the Existing Parity Indebtedness, and (iii) any Additional Parity Indebtedness described in Section 11 of this Resolution.

(c) "Revenues" means (i) all rates, fees, rentals, charges, income and money properly allocable to the Water System under generally accepted accounting principles (provided that the Authority may determine to include any cash or deferred revenues derived from availability or connection fees, even if all or a part thereof are excluded from current revenues under generally accepted accounting principles) or resulting from the Authority's ownership or operation of the Water System, excluding customer and other deposits subject to refund until such deposits have become the Authority's property, (ii) the proceeds of any insurance covering business interruption loss relating to the Water System, (iii) interest on any money or securities relating to the Water System held by or on behalf of the Authority, and (iv) any other money from other sources pledged by or on behalf of the Authority to the payment of the Bond.

(d) "Water System" means all plants, systems, facilities, equipment or property owned, operated or maintained by the Authority, and used in connection with the supply, treatment, storage or distribution of water as the same may from time to time exist.

9. Pledge of Revenues and Debt Service Reserve. Subject to the Authority's right to apply the Revenues to the payment of Operating Expenses, the Revenues are hereby pledged to secure the payment of the principal of and interest on the Bond. This pledge shall be valid and binding from and after the issuance and delivery of the Bond. The Revenues, as received by the Authority, 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 shall be on a parity with the lien of the pledge securing the Existing Parity Indebtedness and any Additional Parity Indebtedness (as defined Section 11 of this Resolution). The lien of this pledge shall, subject to the right of the Authority to apply Revenues to the payment of Operating Expenses, have priority over all other obligations and liabilities of the Authority, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Authority regardless of whether such parties have notice of this pledge.

In addition, the Authority shall establish a debt service reserve (the "Debt Service Reserve") pursuant to the terms of the Conditions Letter, which is hereby pledged solely to secure the payment of the principal of and interest on the Bond.

10. Covenants. It is hereby covenanted and agreed with the registered owner(s) of the Bond that so long as any of the installments of principal or interest on the Bond is outstanding and unpaid, the Authority will:

(a) Charge rates, fees and other charges to users of the Water System and fix and maintain such rates, fees and other charges at such level as will produce sufficient Revenues in each fiscal year of the Authority to pay (i) the Operating Expenses with respect to the Water System for such fiscal year, (ii) the installments of principal and interest on the Bond and the other Parity Indebtedness, as the same respectively become due during such fiscal year, and (iii) to maintain the minimum requirements with respect to such fiscal year in the reserves to be established and maintained as provided in the Conditions Letter (the "Reserves"), including the Debt Service Reserve;

(b) Apply the Revenues received by the Authority in each fiscal year first to the payment of the Operating Expenses during such fiscal year, then to the payment of the installments of principal and interest on the Bond and the other Parity Indebtedness becoming due during such fiscal year, then to restore the balances in the Reserves to their minimum requirements with respect to such year, and then to any other lawful purpose of the Authority;

(c) Segregate and keep segregated from all other Authority funds all Revenues and keep proper records and accounts therefor, separate and apart from all other municipal records and accounts;

(d) Not permit connections to or use of the Water System or provide any services of the Water System without making a charge therefor;

(e) 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 Water System for the amount of all delinquent rates, fees and other charges where such action is permitted by law.

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

11. Additional Parity Indebtedness. Subject to the provisions of Section 12 of this Resolution, the Authority may issue or incur additional bonds, notes or other evidences of indebtedness secured by a pledge of the Revenues of the Water System on a parity with the pledge securing the Bond as provided in Section 9 of this Resolution ("Additional Parity Indebtedness") (i) to finance the costs of completing the Project, (ii) to finance the costs of improvements, additions, extensions, replacements, equipment or betterments and of any property, rights or easements deemed by the Authority to be necessary, useful or convenient for the Water System, (iii) to refund the Bond or other Parity Indebtedness then outstanding or (iv) to effect some combination of (i), (ii) and (iii). Any Additional Parity Indebtedness shall be in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

12. Issuance of Additional Parity Indebtedness. Additional Parity Indebtedness may be issued to complete the Project. Otherwise, Additional Parity Indebtedness may not be issued unless acceptable documentation is provided establishing that Net Revenues for the fiscal year following the year in which such Additional Parity Indebtedness is to be issued will be at least 120 percent of the average annual debt service requirements on all outstanding Parity Indebtedness, including the Additional Parity Indebtedness proposed to be issued. For purposes of this Section 12, Net Revenues means the Revenues less amounts necessary to pay Operating Expenses. This limitation may be waived or modified by the written consent of the holders representing 75 percent of the then outstanding Parity Indebtedness.

13. Junior or Subordinate Indebtedness. Bonds, notes or other evidences of indebtedness that are secured on a junior or subordinate basis to the Parity Indebtedness with respect to the pledge of the Revenues may be issued in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

14. Delivery of Bond. The General Manager and the Secretary and Assistant Secretary are hereby authorized and directed to take all proper steps to have the Bond prepared and executed in accordance with their terms and to deliver the Bond to the Government upon (i) payment of the purchase price thereof or (ii) if the Bond is delivered in the alternative form providing for principal

advances to be made from time to time by the Government, receipt by such officer of the Government's agreement to make such advances.

15. Mandatory Refinancing of Bond. The Authority shall refinance the unpaid principal balance of the Bond upon the request of the Government if at any time it shall appear to the Government that the Authority is able to refinance the amount of the Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time. The Authority will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

16. Further Actions. The General Manager, the Deputy General Manager, the Secretary and the Assistant Secretary of the Authority and such other officers and agents of the Authority as they may designate are authorized and directed to take such further actions as they deem necessary or appropriate regarding the issuance, sale and delivery of the Bond, including, without limitation, the preparation, execution and delivery of any agreement relative to the Bond, the proceeds thereof, or the security therefor, or the Project, as contemplated by or required under the Conditions Letter. All such actions previously taken by officers and agents of the Authority in connection with the issuance, sale, and delivery of the Bond is hereby ratified and confirmed to the extent that they were consistent with this Resolution.

17. Filing of Resolution. Counsel to the Authority is authorized and directed to file a certified copy of this Resolution with the Circuit Court of Washington County, Virginia, pursuant to Section 15.2-5126 of the Code of Virginia of 1950, as amended.

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

Adopted this 23rd day of August, 2021.

Robert Cornett
Secretary, Washington County Service Authority

EXHIBIT A

The term "Financing Agreements" shall mean collectively the following:

Financing Agreement dated as of September 1, 2000, between the Authority and the Virginia Water Supply Revolving Fund (the "Fund");

Financing Agreement dated as of August 1, 2001, between the Authority and the Fund;

Financing Agreement dated as of September 1, 2001, between the Authority and Virginia Resources Authority ("VRA") as Administrator of the Fund;

Financing Agreement dated as of December 1, 2002, between the Authority and VRA;

Financing Agreement dated as of April 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of October 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of February 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2011, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2014, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2015, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2016, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2017, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Local Bond Sale and Financing Agreement dated as of September 20, 2019, between the Authority and VRA;

Financing Agreement dated as of March 1, 2020, between the Authority and VRA, as Administrator of the Fund; and

Financing Agreement dated as of August 1, 2020, between the Authority and VRA, as Administrator of the Fund.

The term "RD Resolutions" means

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$26,580,000 Water System Revenue Bonds, Taxable Series 2010, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted December 28, 2009.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$5,360,000 Water System Revenue Bonds, Taxable Series 2010D, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted April 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$2,755,000 Water System Revenue Bonds, Taxable Series 2010C, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted March 22, 2010, as amended September 27, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bonds, Taxable Series 2010E, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted July 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$1,462,000 Water System Revenue Bonds, Taxable Series 2013, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted June 24, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bond, Taxable Series 2014, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted November 20, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Water System Revenue Bonds, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted August 28, 2017.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$7,000,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$9,600,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$9,130,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

EXHIBIT B

The term "Parity Bonds" shall mean collectively the following:

- Water System Revenue Bond, Taxable Series 2000 (the "2000 Bond");
- Water System Revenue Bond, Taxable Series 2001 (the "2001A Bond");
- Water System Revenue Bond, Taxable Series 2001B (the "2001B Bond");
- Water System Revenue Bond, Taxable Series 2002 (the "2002 Bond");
- Water System Revenue Bond, Taxable Series 2003A (the "2003A Bond");
- Water System Revenue Bond, Taxable Series 2003C (the "2003C Bond");
- Water System Revenue Bond, Taxable Series 2005 (the "2005 Bond");
- Water System Revenue Bond, Taxable Series 2005B (the "2005B Bond");
- Water System Revenue Bond, Taxable Series 2007A (the "2007A Bond");
- Water System Revenue Bond, Taxable Series 2007B (the "2007B Bond");
- Water System Revenue Bond, Taxable Series 2008A (the "2008A Bond");
- Water System Revenue Bond, Taxable Series 2008B (the "2008B Bond");
- Water System Revenue Bond, Taxable Series 2010A (the "2010A Bond");
- Water System Revenue Bond, Taxable Series 2010B (the "2010B Bond");
- Water System Revenue Bond, Taxable Series 2010C (the "2010C Bond");
- Water System Revenue Bond, Taxable Series 2010D (the "2010D Bond");
- Water System Revenue Bond, Taxable Series 2010E (the "2010E Bond");
- Water System Revenue Bond, Taxable Series 2010F (the "2010F Bond");
- Water System Revenue Bonds, Taxable Series 2010G (the "2010G Bonds");
- Water System Revenue Bond, Taxable Series 2010H (the "2010H Bond");
- Water System Revenue Bond, Taxable Series 2010I (the "2010I Bond");

Water System Revenue Bond, Taxable Series 2010J (the "2010J Bond");
Water System Revenue Bond, Taxable Series 2011 (the "2011 Bond");
Water System Revenue Bond Taxable Series 2013 (the "2013A Bond");
Water System Revenue Bond, Taxable Series 2013B (the "2013B Bond");
Water System Revenue Bond, Taxable Series 2013C (the "2013C Bond");
Water System Revenue Bond, Taxable Series 2014A (the "2014A Bond");
Water System Revenue Bond, Taxable Series 2014B (the "2014B Bond");
Water System Revenue Bond, Taxable Series 2014C (the "2014C Bond");
Water System Revenue Bond, Taxable Series 2015A (the "2015A Bond");
Water System Revenue Bond, Taxable Series 2016 (the "2016 Bond");
Water System Revenue Bond, Taxable Series 2017A (the "2017A Bond");
Water System Revenue Bond, Taxable Series 2017C (the "2017C Bond");
Water System Revenue Bond, Taxable Series 2017D (the "2017D Bond");
Water System Revenue Bond, Taxable Series 2019A (the "2019A Bond");
Water System Revenue Bond, Taxable Series 2019B (the "2019B Bond");
Water System Revenue Bond, Series 2019C (the "2019C Bond");
Water System Revenue Bond, Taxable Series 2020A (the "2020A Bond");
Water System Revenue Bond, Taxable Series 2020B (the "2020B Bond");
Water System Revenue Bond, Taxable Series 2021A (the "2021A Bond");
Water System Revenue Bond, Taxable Series 2021C (the "2021C Bond"); and
Water System Revenue Bond, Taxable Series 2021D (the "2021D Bond").

EXHIBIT C

FORM OF BOND

The Washington County Service Authority makes no representations or warranties and is providing no legal opinion regarding the status of interest on this Bond, if any, for federal income tax purposes. Interest on this Bond, if any, is expected to be included in gross income for federal income tax purposes.

No. R-1

\$ _____

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA**

WASHINGTON COUNTY SERVICE AUTHORITY

Water System Revenue Bond, Taxable Series 2021[___]

Washington County Service Authority, a public body politic and corporate of the Commonwealth of Virginia (the "Authority"), for value received, hereby acknowledges itself indebted and promises to pay to the United States of America, or registered assigns, the principal sum equal to [the aggregate amount of principal advances shown on the attached Certificate of Principal Advances, but not to exceed the sum¹] of

_____ AND 00/100 DOLLARS
(\$ _____)

and to pay to the registered owner hereof interest on the unpaid principal from the date hereof [or the date of each principal advance shown on the attached Certificate of Principal Advances¹] until payment of the entire principal sum at the rate of two and one-eighth percent (2.125%) per year. Installments of combined principal and interest of \$_____ are payable beginning _____, 201_, and continuing on the same day of each month thereafter until the principal of this Bond is paid in full. Any payment on this Bond shall be applied first to interest accrued to such payment date and then to principal. If not sooner paid, the final installment shall be due and payable 40 years from the date hereof. Such installments shall be payable in lawful money of the United States of America and shall be electronically debited from the Authority's account on the day payment is due.

This Bond (the "Bond") that have been authorized by a resolution duly adopted by the Authority on August 23, 2021 (the "Bond Resolution"), and issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended, to provide funds to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation

¹ Alternative language to be used if the Government requests provision for principal advances.

the costs of the issuance of the Bond. Reference is hereby made to the Bond Resolution and any amendments thereto for the provisions, among others, describing the pledge and covenants securing the Bond, the nature and extent of the security, the terms and conditions upon which the Bond have been issued, the rights and obligations of the Authority, and the rights of the registered owner of this Bond.

The principal of and interest on this Bond are secured by a pledge of the Revenues (as defined in the Bond Resolution) of the Water System (as defined in the Bond Resolution) pursuant to the terms of the Bond Resolution. Such pledge is on parity with the pledge of the Revenues of the Water System securing the Authority's Existing Parity Indebtedness (as defined in the Bond Resolution) and any Additional Parity Indebtedness (as defined in the Bond Resolution) that may be issued from time to time pursuant to the terms of the Bond Resolution. **NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BOND OR THE OTHER COSTS INCIDENT TO IT, IF ANY, EXCEPT FROM THE REVENUES AND ANY OTHER MONEY OR PROPERTY PLEDGED FOR SUCH PURPOSE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND OR OTHER COSTS INCIDENT TO IT, IF ANY. THE ISSUANCE OF THIS BOND DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, TO LEVY ANY TAXES FOR THE PAYMENT OF THIS BOND.**

This Bond is fully registered as to both principal and interest in the name of the United States of America. Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Installments of the principal due on this Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of their maturities), without premium. Prepayments of installments of principal shall not affect the obligation of the Authority to pay the remaining installments payable as provided above.

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, and this Bond, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[Signature Page Follows]

IN WITNESS WHEREOF, the Washington County Service Authority has caused this Bond to be signed by the General Manager and the Authority's seal to be affixed and attested by the signature of the Assistant Secretary.

[SEAL]

**WASHINGTON COUNTY SERVICE
AUTHORITY**

By: _____
Name: Robert Cornett
Title: General Manager

ATTEST:

By: _____
Name: _____
Title: Assistant Secretary

[Signature Page to Washington County Service Authority
Water System Revenue Bond, Taxable Series 2021__]

TRANSFER OF BOND

The transfer of this Bond may be registered by the registered owner or its duly authorized attorney upon presentation hereof to the Bond Registrar who shall make note of such transfer in books kept by the Bond Registrar for that purpose and in the registration blank below:

| <u>Date of Registration</u> | <u>Name of Registered Owner</u> | <u>Signature of Bond Registrar</u> |
|-----------------------------|---------------------------------|------------------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

CERTIFICATE OF PRINCIPAL ADVANCES²

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

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

² Certificate of Principal Advances to be used if the Government requests provision for principal advances.

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Washington County Service Authority (the "Authority"), hereby certifies that:

1. A regular meeting of the Board of the Authority (the "Board") was duly called and held on August 23, 2021 (the "Meeting"), at which the following Board members were present and absent:

PRESENT:

- David Campbell, Chairman
- Devere Hutchinson
- Cathy Miller
- Kenneth Taylor
- Kevin Thayer

ABSENT:

- Dwain Miller
- James Hutton

2. A resolution (the "Resolution") of the Authority entitled "RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$9,130,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF" was duly adopted at the Meeting by the recorded affirmative vote of at least a majority of all of the members of the Board, the ayes and nays being recorded in the minutes of the meeting as shown below:

| <u>MEMBER</u> | <u>VOTE</u> |
|--------------------------|-------------|
| David Campbell, Chairman | Aye |
| Devere Hutchinson | Aye |
| Cathy Miller | Aye |
| Kenneth Taylor | Aye |
| Kevin Thayer | Aye |

3. Attached is a true and correct copy of the Resolution.

WITNESS my signature and the seal of the Washington County Service Authority as of August 23, 2021.

Robert Cornett
Secretary, Washington County Service Authority

[SEAL]

WASHINGTON COUNTY SERVICE AUTHORITY

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$9,130,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF

A. The Washington County Service Authority (the "Authority") is a public body politic and corporate of the Commonwealth of Virginia (the "Commonwealth") created pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act").

B. The Authority has determined that it is necessary and desirable to issue its Water System Revenue Bond, in an aggregate principal amount not to exceed \$9,130,000 (the "Bond"), and to use the proceeds thereof, along with other available funds, if any, to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation the costs of the issuance of the Bond (the "Project").

C. The Bond will be sold by the Authority to the United States of America, acting by and through the United States Department of Agriculture, Rural Development (the "Government"), under the terms of a letter of conditions from the Government to the Authority dated August 12, 2015, as amended by a letter dated September 28, 2020 (collectively, the "Conditions Letter").

D. The Conditions Letter has been presented at this meeting and filed with the Authority's records.

E. In accordance with the terms of the Conditions Letter and the terms set forth in this Resolution, the Bond will be secured by a pledge of the Revenues (as defined below). The Bond will be issued as "Parity Bond," as defined in the Financing Agreements set forth in Exhibit A and as "Additional Parity Indebtedness" as defined in the RD Resolutions set forth in Exhibit A. The Bond will be secured on parity with respect to the pledge of Revenues with the Authority's outstanding bonds set forth in Exhibit B and any other Parity Bonds that may be issued prior to the Bond, with respect to the pledge of Revenues (collectively, the "Existing Parity Indebtedness").

F. The Bond will be issued as an "Additional Prior Bond" as defined in the Subordinate Financing Agreement dated as of June 1, 2002 (the "2002 Subordinate Financing Agreement"), between the Authority and Virginia Resources Authority. The Bond will be secured on a senior basis to the Authority's Water System Revenue Bond, Subordinate Series 2002 (the "Subordinate 2002 Bond"), with respect to the pledge of Revenues.

NOW, THEREFORE, after consideration and in furtherance of the public purposes for which the Authority was created, be it resolved that:

1. **Authorization of Bond and Use of Proceeds.** The Authority hereby finds and determines that it is advisable and in the best interest of the Authority to contract a debt and to

issue the Bond in an aggregate principal amount not to exceed \$9,130,000 to be designated the "Washington County Service Authority, Water System Revenue Bond, Taxable Series 2021[___]," or such other designation as may be approved by the General Manager of the Authority. The proceeds from the issuance and sale of the Bond shall be used, together with other available funds, if any, to pay the costs of the Project.

2. Sale of Bond and Acceptance of Conditions Letter. After consideration of the possible methods of sale of the Bond and current conditions of the municipal bond market, the Authority hereby finds and determines that it will benefit the customers of the Authority through the promotion of their safety, health, welfare, convenience or prosperity for the Authority to contract a debt and to issue and sell the Bond to the Government and that it is in the best interest of the Authority to accept the offer of the Government to purchase the Bond upon the terms set forth in the Conditions Letter. Such offer is hereby accepted, and the Authority hereby agrees to meet such terms.

3. Details of Bond. The Bond shall be in such denominations as requested by the Government. The series designation of the Bond may be altered by the General Manager to reflect the year and sequence in which the Bond is issued or the requirements of the Government. The Bond shall bear interest at the rate of the lower of (i) 1.125% per year, or (ii) the rate quoted by the Government as the interest rate effective on the Closing Date (as defined below). The execution and delivery of the Bond on the Authority's behalf shall conclusively evidence the interest rate stated in the applicable Bond as having been approved and authorized by this Resolution. The Bond shall be in fully registered form, shall be numbered consecutively beginning with R-1 and shall be dated the date of its delivery to the Government or such other customary date required by the Government (the "Closing Date"). Payments for the 480 months will be equal amortized monthly installments to be paid until the principal of the applicable Bond is paid in full. If not sooner paid, the final installment on the Bond shall be due and payable 40 years from its Closing Date. Any payment on the Bond shall be applied first to interest accrued to the payment date and then to principal. Installments shall be payable in lawful money of the United States of America and shall, in accordance with the Preauthorized Debit (PAD) payment process or such other subsequent payment process specified by the Government, be electronically debited from the Authority's account on each day payment is due.

4. Form of Bond. The Bond shall be in substantially the form presented at this meeting as attached as Exhibit C, with such variations, insertions, and deletions as may be approved by the General Manager. There may be endorsed on the Bond such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

At the request of the Government, the Bond may be delivered as a fully registered Bond in the alternative form presented at this meeting providing for principal advances to be made from time to time by the Government in an aggregate amount not to exceed \$9,130,000. An authorized officer of the Government shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances attached to the Bond when the proceeds of such advance are delivered to the Authority. Each such principal advance shall bear interest from the date of such advance so entered on the certificate.

5. **Execution of Bond.** The Bond shall be signed by the General Manager.

6. **Registration, Transfer and Exchange.** The Bond shall be fully registered as to both principal and interest. Transfer of the Bond may be registered upon books maintained for that purpose at the office of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner of the Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner. The Treasurer of the Authority is appointed as the initial Bond Registrar. The General Manager may appoint a subsequent Bond Registrar and/or one or more paying agents for the Bond upon giving written notice to the registered owners of the Bond specifying the name and location of the principal office of any such Bond Registrar or paying agent. The Bond shall be registered initially in the name of the "United States of America."

7. **Prepayment of Bond.** Installments of principal due on the Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of maturity) without premium. Notwithstanding the above, the Authority may at any time deliver moneys to the Government with instructions that such moneys be credited against future installments due on the Bond in inverse chronological order. Prepayments shall not affect the obligation of the Authority to pay the remaining installments payable as provided in Section 3 of this Resolution.

8. **Definitions.** Each of the following capitalized terms shall have the meaning given to it below:

(a) "Operating Expenses" means the costs of operating and maintaining the Water System determined under generally accepted accounting principles, exclusive of (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

(b) "Parity Indebtedness" means, collectively, (i) the Bond, (ii) the Existing Parity Indebtedness, and (iii) any Additional Parity Indebtedness described in Section 11 of this Resolution.

(c) "Revenues" means (i) all rates, fees, rentals, charges, income and money properly allocable to the Water System under generally accepted accounting principles (provided that the Authority may determine to include any cash or deferred revenues derived from availability or connection fees, even if all or a part thereof are excluded from current revenues under generally accepted accounting principles) or resulting from the Authority's ownership or operation of the Water System, excluding customer and other deposits subject to refund until such deposits have become the Authority's property, (ii) the proceeds of any insurance covering business interruption loss relating to the Water System, (iii) interest on any money or securities relating to the Water System held by or on behalf of the Authority, and (iv) any other money from other sources pledged by or on behalf of the Authority to the payment of the Bond.

(d) "Water System" means all plants, systems, facilities, equipment or property owned, operated or maintained by the Authority, and used in connection with the supply, treatment, storage or distribution of water as the same may from time to time exist.

9. Pledge of Revenues and Debt Service Reserve. Subject to the Authority's right to apply the Revenues to the payment of Operating Expenses, the Revenues are hereby pledged to secure the payment of the principal of and interest on the Bond. This pledge shall be valid and binding from and after the issuance and delivery of the Bond. The Revenues, as received by the Authority, 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 shall be on a parity with the lien of the pledge securing the Existing Parity Indebtedness and any Additional Parity Indebtedness (as defined Section 11 of this Resolution). The lien of this pledge shall, subject to the right of the Authority to apply Revenues to the payment of Operating Expenses, have priority over all other obligations and liabilities of the Authority, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Authority regardless of whether such parties have notice of this pledge.

In addition, the Authority shall establish a debt service reserve (the "Debt Service Reserve") pursuant to the terms of the Conditions Letter, which is hereby pledged solely to secure the payment of the principal of and interest on the Bond.

10. Covenants. It is hereby covenanted and agreed with the registered owner(s) of the Bond that so long as any of the installments of principal or interest on the Bond is outstanding and unpaid, the Authority will:

(a) Charge rates, fees and other charges to users of the Water System and fix and maintain such rates, fees and other charges at such level as will produce sufficient Revenues in each fiscal year of the Authority to pay (i) the Operating Expenses with respect to the Water System for such fiscal year, (ii) the installments of principal and interest on the Bond and the other Parity Indebtedness, as the same respectively become due during such fiscal year, and (iii) to maintain the minimum requirements with respect to such fiscal year in the reserves to be established and maintained as provided in the Conditions Letter (the "Reserves"), including the Debt Service Reserve;

(b) Apply the Revenues received by the Authority in each fiscal year first to the payment of the Operating Expenses during such fiscal year, then to the payment of the installments of principal and interest on the Bond and the other Parity Indebtedness becoming due during such fiscal year, then to restore the balances in the Reserves to their minimum requirements with respect to such year, and then to any other lawful purpose of the Authority;

(c) Segregate and keep segregated from all other Authority funds all Revenues and keep proper records and accounts therefor, separate and apart from all other municipal records and accounts;

(d) Not permit connections to or use of the Water System or provide any services of the Water System without making a charge therefor;

(e) 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 Water System for the amount of all delinquent rates, fees and other charges where such action is permitted by law.

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

11. Additional Parity Indebtedness. Subject to the provisions of Section 12 of this Resolution, the Authority may issue or incur additional bonds, notes or other evidences of indebtedness secured by a pledge of the Revenues of the Water System on a parity with the pledge securing the Bond as provided in Section 9 of this Resolution ("Additional Parity Indebtedness") (i) to finance the costs of completing the Project, (ii) to finance the costs of improvements, additions, extensions, replacements, equipment or betterments and of any property, rights or easements deemed by the Authority to be necessary, useful or convenient for the Water System, (iii) to refund the Bond or other Parity Indebtedness then outstanding or (iv) to effect some combination of (i), (ii) and (iii). Any Additional Parity Indebtedness shall be in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

12. Issuance of Additional Parity Indebtedness. Additional Parity Indebtedness may be issued to complete the Project. Otherwise, Additional Parity Indebtedness may not be issued unless acceptable documentation is provided establishing that Net Revenues for the fiscal year following the year in which such Additional Parity Indebtedness is to be issued will be at least 120 percent of the average annual debt service requirements on all outstanding Parity Indebtedness, including the Additional Parity Indebtedness proposed to be issued. For purposes of this Section 12, Net Revenues means the Revenues less amounts necessary to pay Operating Expenses. This limitation may be waived or modified by the written consent of the holders representing 75 percent of the then outstanding Parity Indebtedness.

13. Junior or Subordinate Indebtedness. Bonds, notes or other evidences of indebtedness that are secured on a junior or subordinate basis to the Parity Indebtedness with respect to the pledge of the Revenues may be issued in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

14. Delivery of Bond. The General Manager and the Secretary and Assistant Secretary are hereby authorized and directed to take all proper steps to have the Bond prepared and executed in accordance with their terms and to deliver the Bond to the Government upon (i) payment of the purchase price thereof or (ii) if the Bond is delivered in the alternative form providing for principal

advances to be made from time to time by the Government, receipt by such officer of the Government's agreement to make such advances.

15. Mandatory Refinancing of Bond. The Authority shall refinance the unpaid principal balance of the Bond upon the request of the Government if at any time it shall appear to the Government that the Authority is able to refinance the amount of the Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time. The Authority will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

16. Further Actions. The General Manager, the Deputy General Manager, the Secretary and the Assistant Secretary of the Authority and such other officers and agents of the Authority as they may designate are authorized and directed to take such further actions as they deem necessary or appropriate regarding the issuance, sale and delivery of the Bond, including, without limitation, the preparation, execution and delivery of any agreement relative to the Bond, the proceeds thereof, or the security therefor, or the Project, as contemplated by or required under the Conditions Letter. All such actions previously taken by officers and agents of the Authority in connection with the issuance, sale, and delivery of the Bond is hereby ratified and confirmed to the extent that they were consistent with this Resolution.

17. Filing of Resolution. Counsel to the Authority is authorized and directed to file a certified copy of this Resolution with the Circuit Court of Washington County, Virginia, pursuant to Section 15.2-5126 of the Code of Virginia of 1950, as amended.

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

Adopted this 23rd day of August, 2021.

Robert Cornett
Secretary, Washington County Service Authority

EXHIBIT A

The term "Financing Agreements" shall mean collectively the following:

Financing Agreement dated as of September 1, 2000, between the Authority and the Virginia Water Supply Revolving Fund (the "Fund");

Financing Agreement dated as of August 1, 2001, between the Authority and the Fund;

Financing Agreement dated as of September 1, 2001, between the Authority and Virginia Resources Authority ("VRA") as Administrator of the Fund;

Financing Agreement dated as of December 1, 2002, between the Authority and VRA;

Financing Agreement dated as of April 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of October 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of February 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2011, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2014, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2015, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2016, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2017, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Local Bond Sale and Financing Agreement dated as of September 20, 2019, between the Authority and VRA;

Financing Agreement dated as of March 1, 2020, between the Authority and VRA, as Administrator of the Fund; and

Financing Agreement dated as of August 1, 2020, between the Authority and VRA, as Administrator of the Fund.

The term "RD Resolutions" means

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$26,580,000 Water System Revenue Bonds, Taxable Series 2010, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted December 28, 2009.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$5,360,000 Water System Revenue Bonds, Taxable Series 2010D, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted April 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$2,755,000 Water System Revenue Bonds, Taxable Series 2010C, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted March 22, 2010, as amended September 27, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bonds, Taxable Series 2010E, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted July 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$1,462,000 Water System Revenue Bonds, Taxable Series 2013, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted June 24, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bond, Taxable Series 2014, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted November 20, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Water System Revenue Bonds, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted August 28, 2017.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$7,000,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$8,450,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$9,600,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

EXHIBIT B

The term "Parity Bonds" shall mean collectively the following:

- Water System Revenue Bond, Taxable Series 2000 (the "2000 Bond");
- Water System Revenue Bond, Taxable Series 2001 (the "2001A Bond");
- Water System Revenue Bond, Taxable Series 2001B (the "2001B Bond");
- Water System Revenue Bond, Taxable Series 2002 (the "2002 Bond");
- Water System Revenue Bond, Taxable Series 2003A (the "2003A Bond");
- Water System Revenue Bond, Taxable Series 2003C (the "2003C Bond");
- Water System Revenue Bond, Taxable Series 2005 (the "2005 Bond");
- Water System Revenue Bond, Taxable Series 2005B (the "2005B Bond");
- Water System Revenue Bond, Taxable Series 2007A (the "2007A Bond");
- Water System Revenue Bond, Taxable Series 2007B (the "2007B Bond");
- Water System Revenue Bond, Taxable Series 2008A (the "2008A Bond");
- Water System Revenue Bond, Taxable Series 2008B (the "2008B Bond");
- Water System Revenue Bond, Taxable Series 2010A (the "2010A Bond");
- Water System Revenue Bond, Taxable Series 2010B (the "2010B Bond");
- Water System Revenue Bond, Taxable Series 2010C (the "2010C Bond");
- Water System Revenue Bond, Taxable Series 2010D (the "2010D Bond");
- Water System Revenue Bond, Taxable Series 2010E (the "2010E Bond");
- Water System Revenue Bond, Taxable Series 2010F (the "2010F Bond");
- Water System Revenue Bonds, Taxable Series 2010G (the "2010G Bonds");
- Water System Revenue Bond, Taxable Series 2010H (the "2010H Bond");
- Water System Revenue Bond, Taxable Series 2010I (the "2010I Bond");

Water System Revenue Bond, Taxable Series 2010J (the "2010J Bond");
Water System Revenue Bond, Taxable Series 2011 (the "2011 Bond");
Water System Revenue Bond Taxable Series 2013 (the "2013A Bond");
Water System Revenue Bond, Taxable Series 2013B (the "2013B Bond");
Water System Revenue Bond, Taxable Series 2013C (the "2013C Bond");
Water System Revenue Bond, Taxable Series 2014A (the "2014A Bond");
Water System Revenue Bond, Taxable Series 2014B (the "2014B Bond");
Water System Revenue Bond, Taxable Series 2014C (the "2014C Bond");
Water System Revenue Bond, Taxable Series 2015A (the "2015A Bond");
Water System Revenue Bond, Taxable Series 2016 (the "2016 Bond");
Water System Revenue Bond, Taxable Series 2017A (the "2017A Bond");
Water System Revenue Bond, Taxable Series 2017C (the "2017C Bond");
Water System Revenue Bond, Taxable Series 2017D (the "2017D Bond");
Water System Revenue Bond, Taxable Series 2019A (the "2019A Bond");
Water System Revenue Bond, Taxable Series 2019B (the "2019B Bond");
Water System Revenue Bond, Series 2019C (the "2019C Bond");
Water System Revenue Bond, Taxable Series 2020A (the "2020A Bond");
Water System Revenue Bond, Taxable Series 2020B (the "2020B Bond");
Water System Revenue Bond, Taxable Series 2021A (the "2021A Bond");
Water System Revenue Bond, Taxable Series 2021B (the "2021B Bond"); and
Water System Revenue Bond, Taxable Series 2021C (the "2021C Bond").

EXHIBIT C

FORM OF BOND

The Washington County Service Authority makes no representations or warranties and is providing no legal opinion regarding the status of interest on this Bond, if any, for federal income tax purposes. Interest on this Bond, if any, is expected to be included in gross income for federal income tax purposes.

No. R-1

\$ _____

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA**

WASHINGTON COUNTY SERVICE AUTHORITY

Water System Revenue Bond, Taxable Series 2021[]

Washington County Service Authority, a public body politic and corporate of the Commonwealth of Virginia (the "Authority"), for value received, hereby acknowledges itself indebted and promises to pay to the United States of America, or registered assigns, the principal sum equal to [the aggregate amount of principal advances shown on the attached Certificate of Principal Advances, but not to exceed the sum¹] of

_____ AND 00/100 DOLLARS
(\$ _____)

and to pay to the registered owner hereof interest on the unpaid principal from the date hereof [or the date of each principal advance shown on the attached Certificate of Principal Advances¹] until payment of the entire principal sum at the rate of one and one-eighth percent (1.125%) per year. Installments of combined principal and interest of \$ _____ are payable beginning _____, 201_, and continuing on the same day of each month thereafter until the principal of this Bond is paid in full. Any payment on this Bond shall be applied first to interest accrued to such payment date and then to principal. If not sooner paid, the final installment shall be due and payable 40 years from the date hereof. Such installments shall be payable in lawful money of the United States of America and shall be electronically debited from the Authority's account on the day payment is due.

This Bond (the "Bond") that have been authorized by a resolution duly adopted by the Authority on August 23, 2021 (the "Bond Resolution"), and issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended, to provide funds to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation

¹ Alternative language to be used if the Government requests provision for principal advances.

the costs of the issuance of the Bond. Reference is hereby made to the Bond Resolution and any amendments thereto for the provisions, among others, describing the pledge and covenants securing the Bond, the nature and extent of the security, the terms and conditions upon which the Bond have been issued, the rights and obligations of the Authority, and the rights of the registered owner of this Bond.

The principal of and interest on this Bond are secured by a pledge of the Revenues (as defined in the Bond Resolution) of the Water System (as defined in the Bond Resolution) pursuant to the terms of the Bond Resolution. Such pledge is on parity with the pledge of the Revenues of the Water System securing the Authority's Existing Parity Indebtedness (as defined in the Bond Resolution) and any Additional Parity Indebtedness (as defined in the Bond Resolution) that may be issued from time to time pursuant to the terms of the Bond Resolution. **NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BOND OR THE OTHER COSTS INCIDENT TO IT, IF ANY, EXCEPT FROM THE REVENUES AND ANY OTHER MONEY OR PROPERTY PLEDGED FOR SUCH PURPOSE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND OR OTHER COSTS INCIDENT TO IT, IF ANY. THE ISSUANCE OF THIS BOND DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, TO LEVY ANY TAXES FOR THE PAYMENT OF THIS BOND.**

This Bond is fully registered as to both principal and interest in the name of the United States of America. Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Installments of the principal due on this Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of their maturities), without premium. Prepayments of installments of principal shall not affect the obligation of the Authority to pay the remaining installments payable as provided above.

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, and this Bond, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[Signature Page Follows]

IN WITNESS WHEREOF, the Washington County Service Authority has caused this Bond to be signed by the General Manager and the Authority's seal to be affixed and attested by the signature of the Assistant Secretary.

[SEAL]

**WASHINGTON COUNTY SERVICE
AUTHORITY**

By: _____
Name: Robert Cornett
Title: General Manager

ATTEST:

By: _____
Name: _____
Title: Assistant Secretary

[Signature Page to Washington County Service Authority
Water System Revenue Bond, Taxable Series 2021__]

TRANSFER OF BOND

The transfer of this Bond may be registered by the registered owner or its duly authorized attorney upon presentation hereof to the Bond Registrar who shall make note of such transfer in books kept by the Bond Registrar for that purpose and in the registration blank below:

| <u>Date of Registration</u> | <u>Name of Registered Owner</u> | <u>Signature of Bond Registrar</u> |
|-----------------------------|---------------------------------|------------------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

CERTIFICATE OF PRINCIPAL ADVANCES²

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

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

² Certificate of Principal Advances to be used if the Government requests provision for principal advances.

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Washington County Service Authority (the "Authority"), hereby certifies that:

1. A regular meeting of the Board of the Authority (the "Board") was duly called and held on August 23, 2021 (the "Meeting"), at which the following Board members were present and absent:

PRESENT:

- David Campbell, Chairman
- Devere Hutchinson
- Cathy Miller
- Kenneth Taylor
- Kevin Thayer

ABSENT:

- Dwain Miller
- James Hutton

2. A resolution (the "Resolution") of the Authority entitled "RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$9,600,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF" was duly adopted at the Meeting by the recorded affirmative vote of at least a majority of all of the members of the Board, the ayes and nays being recorded in the minutes of the meeting as shown below:

| <u>MEMBER</u> | <u>VOTE</u> |
|--------------------------|-------------|
| David Campbell, Chairman | Aye |
| Devere Hutchinson | Aye |
| Cathy Miller | Aye |
| Kenneth Taylor | Aye |
| Kevin Thayer | Aye |

3. Attached is a true and correct copy of the Resolution.

WITNESS my signature and the seal of the Washington County Service Authority as of August 23, 2021.

Robert Cornett
Secretary, Washington County Service Authority

[SEAL]

WASHINGTON COUNTY SERVICE AUTHORITY

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, AWARD, AND SALE OF A NOT TO EXCEED \$9,600,000 WATER SYSTEM REVENUE BOND, AND SETTING FORTH THE FORM, DETAILS, AND PROVISIONS FOR THE PAYMENT THEREOF

A. The Washington County Service Authority (the "Authority") is a public body politic and corporate of the Commonwealth of Virginia (the "Commonwealth") created pursuant to the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended (the "Act").

B. The Authority has determined that it is necessary and desirable to issue its Water System Revenue Bond, in an aggregate principal amount not to exceed \$9,600,000 (the "Bond"), and to use the proceeds thereof, along with other available funds, if any, to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation the costs of the issuance of the Bond (the "Project").

C. The Bond will be sold by the Authority to the United States of America, acting by and through the United States Department of Agriculture, Rural Development (the "Government"), under the terms of a letter of conditions from the Government to the Authority dated August 12, 2015, as amended by a letter dated September 28, 2020 (collectively, the "Conditions Letter").

D. The Conditions Letter has been presented at this meeting and filed with the Authority's records.

E. In accordance with the terms of the Conditions Letter and the terms set forth in this Resolution, the Bond will be secured by a pledge of the Revenues (as defined below). The Bond will be issued as "Parity Bond," as defined in the Financing Agreements set forth in Exhibit A and as "Additional Parity Indebtedness" as defined in the RD Resolutions set forth in Exhibit A. The Bond will be secured on parity with respect to the pledge of Revenues with the Authority's outstanding bonds set forth in Exhibit B and any other Parity Bonds that may be issued prior to the Bond, with respect to the pledge of Revenues (collectively, the "Existing Parity Indebtedness").

F. The Bond will be issued as an "Additional Prior Bond" as defined in the Subordinate Financing Agreement dated as of June 1, 2002 (the "2002 Subordinate Financing Agreement"), between the Authority and Virginia Resources Authority. The Bond will be secured on a senior basis to the Authority's Water System Revenue Bond, Subordinate Series 2002 (the "Subordinate 2002 Bond"), with respect to the pledge of Revenues.

NOW, THEREFORE, after consideration and in furtherance of the public purposes for which the Authority was created, be it resolved that:

1. **Authorization of Bond and Use of Proceeds.** The Authority hereby finds and determines that it is advisable and in the best interest of the Authority to contract a debt and to

issue the Bond in an aggregate principal amount not to exceed \$9,600,000 to be designated the "Washington County Service Authority, Water System Revenue Bond, Taxable Series 2021[___]," or such other designation as may be approved by the General Manager of the Authority. The proceeds from the issuance and sale of the Bond shall be used, together with other available funds, if any, to pay the costs of the Project.

2. Sale of Bond and Acceptance of Conditions Letter. After consideration of the possible methods of sale of the Bond and current conditions of the municipal bond market, the Authority hereby finds and determines that it will benefit the customers of the Authority through the promotion of their safety, health, welfare, convenience or prosperity for the Authority to contract a debt and to issue and sell the Bond to the Government and that it is in the best interest of the Authority to accept the offer of the Government to purchase the Bond upon the terms set forth in the Conditions Letter. Such offer is hereby accepted, and the Authority hereby agrees to meet such terms.

3. Details of Bond. The Bond shall be in such denominations as requested by the Government. The series designation of the Bond may be altered by the General Manager to reflect the year and sequence in which the Bond is issued or the requirements of the Government. The Bond shall bear interest at the rate of the lower of (i) 1.125% per year, or (ii) the rate quoted by the Government as the interest rate effective on the Closing Date (as defined below). The execution and delivery of the Bond on the Authority's behalf shall conclusively evidence the interest rate stated in the applicable Bond as having been approved and authorized by this Resolution. The Bond shall be in fully registered form, shall be numbered consecutively beginning with R-1 and shall be dated the date of its delivery to the Government or such other customary date required by the Government (the "Closing Date"). Payments for the 480 months will be equal amortized monthly installments to be paid until the principal of the applicable Bond is paid in full. If not sooner paid, the final installment on the Bond shall be due and payable 40 years from its Closing Date. Any payment on the Bond shall be applied first to interest accrued to the payment date and then to principal. Installments shall be payable in lawful money of the United States of America and shall, in accordance with the Preauthorized Debit (PAD) payment process or such other subsequent payment process specified by the Government, be electronically debited from the Authority's account on each day payment is due.

4. Form of Bond. The Bond shall be in substantially the form presented at this meeting as attached as Exhibit C, with such variations, insertions, and deletions as may be approved by the General Manager. There may be endorsed on the Bond such legend or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

At the request of the Government, the Bond may be delivered as a fully registered Bond in the alternative form presented at this meeting providing for principal advances to be made from time to time by the Government in an aggregate amount not to exceed \$9,600,000. An authorized officer of the Government shall enter the amount and the date of each such principal advance on the Certificate of Principal Advances attached to the Bond when the proceeds of such advance are delivered to the Authority. Each such principal advance shall bear interest from the date of such advance so entered on the certificate.

5. **Execution of Bond.** The Bond shall be signed by the General Manager.

6. **Registration, Transfer and Exchange.** The Bond shall be fully registered as to both principal and interest. Transfer of the Bond may be registered upon books maintained for that purpose at the office of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner of the Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner. The Treasurer of the Authority is appointed as the initial Bond Registrar. The General Manager may appoint a subsequent Bond Registrar and/or one or more paying agents for the Bond upon giving written notice to the registered owners of the Bond specifying the name and location of the principal office of any such Bond Registrar or paying agent. The Bond shall be registered initially in the name of the "United States of America."

7. **Prepayment of Bond.** Installments of principal due on the Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of maturity) without premium. Notwithstanding the above, the Authority may at any time deliver moneys to the Government with instructions that such moneys be credited against future installments due on the Bond in inverse chronological order. Prepayments shall not affect the obligation of the Authority to pay the remaining installments payable as provided in Section 3 of this Resolution.

8. **Definitions.** Each of the following capitalized terms shall have the meaning given to it below:

(a) "Operating Expenses" means the costs of operating and maintaining the Water System determined under generally accepted accounting principles, exclusive of (i) interest on any debt payable from Revenues, (ii) depreciation and other items not requiring the expenditure of cash, (iii) any amounts expended for capital replacements, repairs and maintenance not recurring annually or reserves therefor, and (iv) reserves for administration, operation and maintenance occurring in the normal course of business.

(b) "Parity Indebtedness" means, collectively, (i) the Bond, (ii) the Existing Parity Indebtedness, and (iii) any Additional Parity Indebtedness described in Section 11 of this Resolution.

(c) "Revenues" means (i) all rates, fees, rentals, charges, income and money properly allocable to the Water System under generally accepted accounting principles (provided that the Authority may determine to include any cash or deferred revenues derived from availability or connection fees, even if all or a part thereof are excluded from current revenues under generally accepted accounting principles) or resulting from the Authority's ownership or operation of the Water System, excluding customer and other deposits subject to refund until such deposits have become the Authority's property, (ii) the proceeds of any insurance covering business interruption loss relating to the Water System, (iii) interest on any money or securities relating to the Water System held by or on behalf of the Authority, and (iv) any other money from other sources pledged by or on behalf of the Authority to the payment of the Bond.

(d) "Water System" means all plants, systems, facilities, equipment or property owned, operated or maintained by the Authority, and used in connection with the supply, treatment, storage or distribution of water as the same may from time to time exist.

9. Pledge of Revenues and Debt Service Reserve. Subject to the Authority's right to apply the Revenues to the payment of Operating Expenses, the Revenues are hereby pledged to secure the payment of the principal of and interest on the Bond. This pledge shall be valid and binding from and after the issuance and delivery of the Bond. The Revenues, as received by the Authority, 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 shall be on a parity with the lien of the pledge securing the Existing Parity Indebtedness and any Additional Parity Indebtedness (as defined Section 11 of this Resolution). The lien of this pledge shall, subject to the right of the Authority to apply Revenues to the payment of Operating Expenses, have priority over all other obligations and liabilities of the Authority, and the lien of this pledge shall be valid and binding against all parties having claims of any kind against the Authority regardless of whether such parties have notice of this pledge.

In addition, the Authority shall establish a debt service reserve (the "Debt Service Reserve") pursuant to the terms of the Conditions Letter, which is hereby pledged solely to secure the payment of the principal of and interest on the Bond.

10. Covenants. It is hereby covenanted and agreed with the registered owner(s) of the Bond that so long as any of the installments of principal or interest on the Bond is outstanding and unpaid, the Authority will:

(a) Charge rates, fees and other charges to users of the Water System and fix and maintain such rates, fees and other charges at such level as will produce sufficient Revenues in each fiscal year of the Authority to pay (i) the Operating Expenses with respect to the Water System for such fiscal year, (ii) the installments of principal and interest on the Bond and the other Parity Indebtedness, as the same respectively become due during such fiscal year, and (iii) to maintain the minimum requirements with respect to such fiscal year in the reserves to be established and maintained as provided in the Conditions Letter (the "Reserves"), including the Debt Service Reserve;

(b) Apply the Revenues received by the Authority in each fiscal year first to the payment of the Operating Expenses during such fiscal year, then to the payment of the installments of principal and interest on the Bond and the other Parity Indebtedness becoming due during such fiscal year, then to restore the balances in the Reserves to their minimum requirements with respect to such year, and then to any other lawful purpose of the Authority;

(c) Segregate and keep segregated from all other Authority funds all Revenues and keep proper records and accounts therefor, separate and apart from all other municipal records and accounts;

(d) Not permit connections to or use of the Water System or provide any services of the Water System without making a charge therefor;

(e) 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 Water System for the amount of all delinquent rates, fees and other charges where such action is permitted by law.

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

11. Additional Parity Indebtedness. Subject to the provisions of Section 12 of this Resolution, the Authority may issue or incur additional bonds, notes or other evidences of indebtedness secured by a pledge of the Revenues of the Water System on a parity with the pledge securing the Bond as provided in Section 9 of this Resolution ("Additional Parity Indebtedness") (i) to finance the costs of completing the Project, (ii) to finance the costs of improvements, additions, extensions, replacements, equipment or betterments and of any property, rights or easements deemed by the Authority to be necessary, useful or convenient for the Water System, (iii) to refund the Bond or other Parity Indebtedness then outstanding or (iv) to effect some combination of (i), (ii) and (iii). Any Additional Parity Indebtedness shall be in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

12. Issuance of Additional Parity Indebtedness. Additional Parity Indebtedness may be issued to complete the Project. Otherwise, Additional Parity Indebtedness may not be issued unless acceptable documentation is provided establishing that Net Revenues for the fiscal year following the year in which such Additional Parity Indebtedness is to be issued will be at least 120 percent of the average annual debt service requirements on all outstanding Parity Indebtedness, including the Additional Parity Indebtedness proposed to be issued. For purposes of this Section 12, Net Revenues means the Revenues less amounts necessary to pay Operating Expenses. This limitation may be waived or modified by the written consent of the holders representing 75 percent of the then outstanding Parity Indebtedness.

13. Junior or Subordinate Indebtedness. Bonds, notes or other evidences of indebtedness that are secured on a junior or subordinate basis to the Parity Indebtedness with respect to the pledge of the Revenues may be issued in such form, shall be dated such date, shall mature in such installments of principal and interest, shall bear interest at such rate or rates, shall be in such denomination or denominations and may contain such provisions for prepayment prior to their respective maturities, all as provided by the Authority by resolution adopted prior to their issuance.

14. Delivery of Bond. The General Manager and the Secretary and Assistant Secretary are hereby authorized and directed to take all proper steps to have the Bond prepared and executed in accordance with their terms and to deliver the Bond to the Government upon (i) payment of the purchase price thereof or (ii) if the Bond is delivered in the alternative form providing for principal

advances to be made from time to time by the Government, receipt by such officer of the Government's agreement to make such advances.

15. Mandatory Refinancing of Bond. The Authority shall refinance the unpaid principal balance of the Bond upon the request of the Government if at any time it shall appear to the Government that the Authority is able to refinance the amount of the Bond then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, at reasonable rates and terms for loans for similar purposes and periods of time. The Authority will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all such actions as may be required in connection with such loan.

16. Further Actions. The General Manager, the Deputy General Manager, the Secretary and the Assistant Secretary of the Authority and such other officers and agents of the Authority as they may designate are authorized and directed to take such further actions as they deem necessary or appropriate regarding the issuance, sale and delivery of the Bond, including, without limitation, the preparation, execution and delivery of any agreement relative to the Bond, the proceeds thereof, or the security therefor, or the Project, as contemplated by or required under the Conditions Letter. All such actions previously taken by officers and agents of the Authority in connection with the issuance, sale, and delivery of the Bond is hereby ratified and confirmed to the extent that they were consistent with this Resolution.

17. Filing of Resolution. Counsel to the Authority is authorized and directed to file a certified copy of this Resolution with the Circuit Court of Washington County, Virginia, pursuant to Section 15.2-5126 of the Code of Virginia of 1950, as amended.

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

Adopted this 23rd day of August, 2021.

Robert Cornett
Secretary, Washington County Service Authority

EXHIBIT A

The term "Financing Agreements" shall mean collectively the following:

Financing Agreement dated as of September 1, 2000, between the Authority and the Virginia Water Supply Revolving Fund (the "Fund");

Financing Agreement dated as of August 1, 2001, between the Authority and the Fund;

Financing Agreement dated as of September 1, 2001, between the Authority and Virginia Resources Authority ("VRA") as Administrator of the Fund;

Financing Agreement dated as of December 1, 2002, between the Authority and VRA;

Financing Agreement dated as of April 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of October 1, 2003, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2005, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of January 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2007, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2008, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of February 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2010, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2011, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of December 1, 2013, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2014, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of May 1, 2015, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of March 1, 2016, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2017, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Financing Agreement dated as of April 1, 2019, between the Authority and VRA, as Administrator of the Fund;

Local Bond Sale and Financing Agreement dated as of September 20, 2019, between the Authority and VRA;

Financing Agreement dated as of March 1, 2020, between the Authority and VRA, as Administrator of the Fund; and

Financing Agreement dated as of August 1, 2020, between the Authority and VRA, as Administrator of the Fund.

The term "RD Resolutions" means

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$26,580,000 Water System Revenue Bonds, Taxable Series 2010, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted December 28, 2009.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$5,360,000 Water System Revenue Bonds, Taxable Series 2010D, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted April 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$2,755,000 Water System Revenue Bonds, Taxable Series 2010C, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted March 22, 2010, as amended September 27, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bonds, Taxable Series 2010E, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted July 26, 2010.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$1,462,000 Water System Revenue Bonds, Taxable Series 2013, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted June 24, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of not to Exceed \$10,000,000 Water System Revenue Bond, Taxable Series 2014, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted November 20, 2013.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Water System Revenue Bonds, and Setting Forth the Form, Details and Provisions for the Payment Thereof, adopted August 28, 2017.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$7,000,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$8,450,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

Resolution Authorizing and Approving the Issuance, Award, and Sale of a Not to Exceed \$9,130,000 Water System Revenue Bond, and Setting Forth the Form, Details, and Provisions for The Payment Thereof, adopted August 23, 2021.

EXHIBIT B

The term "Parity Bonds" shall mean collectively the following:

- Water System Revenue Bond, Taxable Series 2000 (the "2000 Bond");
- Water System Revenue Bond, Taxable Series 2001 (the "2001A Bond");
- Water System Revenue Bond, Taxable Series 2001B (the "2001B Bond");
- Water System Revenue Bond, Taxable Series 2002 (the "2002 Bond");
- Water System Revenue Bond, Taxable Series 2003A (the "2003A Bond");
- Water System Revenue Bond, Taxable Series 2003C (the "2003C Bond");
- Water System Revenue Bond, Taxable Series 2005 (the "2005 Bond");
- Water System Revenue Bond, Taxable Series 2005B (the "2005B Bond");
- Water System Revenue Bond, Taxable Series 2007A (the "2007A Bond");
- Water System Revenue Bond, Taxable Series 2007B (the "2007B Bond");
- Water System Revenue Bond, Taxable Series 2008A (the "2008A Bond");
- Water System Revenue Bond, Taxable Series 2008B (the "2008B Bond");
- Water System Revenue Bond, Taxable Series 2010A (the "2010A Bond");
- Water System Revenue Bond, Taxable Series 2010B (the "2010B Bond");
- Water System Revenue Bond, Taxable Series 2010C (the "2010C Bond");
- Water System Revenue Bond, Taxable Series 2010D (the "2010D Bond");
- Water System Revenue Bond, Taxable Series 2010E (the "2010E Bond");
- Water System Revenue Bond, Taxable Series 2010F (the "2010F Bond");
- Water System Revenue Bonds, Taxable Series 2010G (the "2010G Bonds");
- Water System Revenue Bond, Taxable Series 2010H (the "2010H Bond");
- Water System Revenue Bond, Taxable Series 2010I (the "2010I Bond");

Water System Revenue Bond, Taxable Series 2010J (the "2010J Bond");
Water System Revenue Bond, Taxable Series 2011 (the "2011 Bond");
Water System Revenue Bond Taxable Series 2013 (the "2013A Bond");
Water System Revenue Bond, Taxable Series 2013B (the "2013B Bond");
Water System Revenue Bond, Taxable Series 2013C (the "2013C Bond");
Water System Revenue Bond, Taxable Series 2014A (the "2014A Bond");
Water System Revenue Bond, Taxable Series 2014B (the "2014B Bond");
Water System Revenue Bond, Taxable Series 2014C (the "2014C Bond");
Water System Revenue Bond, Taxable Series 2015A (the "2015A Bond");
Water System Revenue Bond, Taxable Series 2016 (the "2016 Bond");
Water System Revenue Bond, Taxable Series 2017A (the "2017A Bond");
Water System Revenue Bond, Taxable Series 2017C (the "2017C Bond");
Water System Revenue Bond, Taxable Series 2017D (the "2017D Bond");
Water System Revenue Bond, Taxable Series 2019A (the "2019A Bond");
Water System Revenue Bond, Taxable Series 2019B (the "2019B Bond");
Water System Revenue Bond, Series 2019C (the "2019C Bond");
Water System Revenue Bond, Taxable Series 2020A (the "2020A Bond");
Water System Revenue Bond, Taxable Series 2020B (the "2020B Bond");
Water System Revenue Bond, Taxable Series 2021A (the "2021A Bond");
Water System Revenue Bond, Taxable Series 2021B (the "2021B Bond"); and
Water System Revenue Bond, Taxable Series 2021D (the "2021D Bond").

EXHIBIT C

FORM OF BOND

The Washington County Service Authority makes no representations or warranties and is providing no legal opinion regarding the status of interest on this Bond, if any, for federal income tax purposes. Interest on this Bond, if any, is expected to be included in gross income for federal income tax purposes.

No. R-1

\$ _____

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA**

WASHINGTON COUNTY SERVICE AUTHORITY

Water System Revenue Bond, Taxable Series 2021[___]

Washington County Service Authority, a public body politic and corporate of the Commonwealth of Virginia (the "Authority"), for value received, hereby acknowledges itself indebted and promises to pay to the United States of America, or registered assigns, the principal sum equal to [the aggregate amount of principal advances shown on the attached Certificate of Principal Advances, but not to exceed the sum¹] of

_____ AND 00/100 DOLLARS
(\$ _____)

and to pay to the registered owner hereof interest on the unpaid principal from the date hereof [or the date of each principal advance shown on the attached Certificate of Principal Advances¹] until payment of the entire principal sum at the rate of one and one-eighth percent (1.125%) per year. Installments of combined principal and interest of \$_____ are payable beginning _____, 201_, and continuing on the same day of each month thereafter until the principal of this Bond is paid in full. Any payment on this Bond shall be applied first to interest accrued to such payment date and then to principal. If not sooner paid, the final installment shall be due and payable 40 years from the date hereof. Such installments shall be payable in lawful money of the United States of America and shall be electronically debited from the Authority's account on the day payment is due.

This Bond (the "Bond") that have been authorized by a resolution duly adopted by the Authority on August 23, 2021 (the "Bond Resolution"), and issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Virginia Water and Waste Authorities Act, Chapter 51, Title 15.2 of the Code of Virginia of 1950, as amended, to provide funds to finance the costs of improvements to the water system including construction of one or more storage tanks, water line installation and improvements, and valve installations and improvements (all primarily in the Abingdon area), together with related expenses, including without limitation

¹ Alternative language to be used if the Government requests provision for principal advances.

the costs of the issuance of the Bond. Reference is hereby made to the Bond Resolution and any amendments thereto for the provisions, among others, describing the pledge and covenants securing the Bond, the nature and extent of the security, the terms and conditions upon which the Bond have been issued, the rights and obligations of the Authority, and the rights of the registered owner of this Bond.

The principal of and interest on this Bond are secured by a pledge of the Revenues (as defined in the Bond Resolution) of the Water System (as defined in the Bond Resolution) pursuant to the terms of the Bond Resolution. Such pledge is on parity with the pledge of the Revenues of the Water System securing the Authority's Existing Parity Indebtedness (as defined in the Bond Resolution) and any Additional Parity Indebtedness (as defined in the Bond Resolution) that may be issued from time to time pursuant to the terms of the Bond Resolution. **NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BOND OR THE OTHER COSTS INCIDENT TO IT, IF ANY, EXCEPT FROM THE REVENUES AND ANY OTHER MONEY OR PROPERTY PLEDGED FOR SUCH PURPOSE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND OR OTHER COSTS INCIDENT TO IT, IF ANY. THE ISSUANCE OF THIS BOND DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, TO LEVY ANY TAXES FOR THE PAYMENT OF THIS BOND.**

This Bond is fully registered as to both principal and interest in the name of the United States of America. Transfer of this Bond may be registered upon the registration books of the Bond Registrar. Prior to due presentment for registration of transfer, the Bond Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

Installments of the principal due on this Bond may be prepaid at the option of the Authority at any time as a whole or in part from time to time (but if in part, in inverse order of their maturities), without premium. Prepayments of installments of principal shall not affect the obligation of the Authority to pay the remaining installments payable as provided above.

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, and this Bond, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[Signature Page Follows]

IN WITNESS WHEREOF, the Washington County Service Authority has caused this Bond to be signed by the General Manager and the Authority's seal to be affixed and attested by the signature of the Assistant Secretary.

[SEAL]

**WASHINGTON COUNTY SERVICE
AUTHORITY**

By: _____
Name: Robert Cornett
Title: General Manager

ATTEST:

By: _____
Name: _____
Title: Assistant Secretary

[Signature Page to Washington County Service Authority
Water System Revenue Bond, Taxable Series 2021__]

TRANSFER OF BOND

The transfer of this Bond may be registered by the registered owner or its duly authorized attorney upon presentation hereof to the Bond Registrar who shall make note of such transfer in books kept by the Bond Registrar for that purpose and in the registration blank below:

| <u>Date of Registration</u> | <u>Name of Registered Owner</u> | <u>Signature of Bond Registrar</u> |
|-----------------------------|---------------------------------|------------------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

CERTIFICATE OF PRINCIPAL ADVANCES²

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

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

² Certificate of Principal Advances to be used if the Government requests provision for principal advances.