

GROUND LEASE

BEDFORD REGIONAL WATER AUTHORITY

TO

BEDFORD REGIONAL WATER AUTHORITY

AND

WESTERN VIRGINIA WATER AUTHORITY

ACTING TOGETHER FOR THE DEVELOPMENT AND OPERATION

OF THE SMITH MOUNTAIN LAKE WATER FACILITY

THIS GROUND LEASE (this “**LEASE**”), is made as of the 7th day of May, 2014, by and between the **BEDFORD REGIONAL WATER AUTHORITY** (the “**BRWA**”), a Virginia waste and water authority created pursuant to § 15.2-1500, *et seq.* of the Code of Virginia, 1950, as amended (the “**Act**”), as landlord; and, the **BRWA** jointly with the **WESTERN VIRGINIA WATER AUTHORITY** (the “**WVWA**”), a Virginia waste and water authority created pursuant to § 15.2-1500, *et seq.* of the Code of Virginia, 1950, as amended, acting together for the development and operation of a raw water intake facility and water treatment plant pursuant to a Joint Facility Agreement dated as of May 7, 2014 (the “**SMITH MOUNTAIN LAKE WATER FACILITY AGREEMENT**”) by and between the BRWA and the WVWA (the BRWA and the WVWA in such capacities being referred to herein collectively as “the Smith Mountain Lake Water Facility”), as tenant.

RECITALS

- A. The BRWA is the owner of certain real property and easements including (1) “Treatment Plant Property” located on Radford Church Road in Moneta, Virginia, and more particularly described in Exhibit A, attached hereto; (2) “Raw Water Intake Easement” located on Lakewood Drive in Moneta, Virginia, more particularly described in Exhibit A, attached hereto; and (3) certain easements (the “Easements”) necessary to transmit (a) raw water from the Raw Water Intake Easement to the Treatment Plant Property and (b) finished water from the Treatment Plant Property to the points at which finished water will be metered for sale to the BRWA and to the WVWA. These above stated properties and easements are being referred to herein collectively as the “Real Estate”.
- B. The BRWA is the owner of the real property on which the HighPoint Water Treatment Plant is located at 574 High Point Road in Moneta, Virginia, more particularly being described in Exhibit A, attached hereto, and henceforth referred to as the “HighPoint WTP Property”;
- C. The BRWA and the Smith Mountain Lake Water Facility desire to enter into this ground lease for the Real Estate and HighPoint WTP Property on the terms set forth herein.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. DEFINITIONS. As used herein, the following terms not otherwise defined herein shall have the meaning set forth below:

- 1.1. “Additional Rent”: set forth in Section 4 of this Lease.
- 1.2. “Bankruptcy Law”: the Federal Bankruptcy Code or any other federal or state law (as now or hereafter in effect) relating to bankruptcy, insolvency, reorganization, winding-up or adjustment of debts.
- 1.3. “Base Rent”: the payment required to be paid by the Smith Mountain Lake Water Facility to the BRWA as set forth in Sections 4 of this Lease.
- 1.4. “BRWA”: set forth in the introductory paragraph hereof.
- 1.5. “Commencement Date”: set forth in Section 3 of this Lease.
- 1.6. “Completion of Construction”: completion of the construction of the Structures pursuant to the Plans and the issuance of permit to operate Water Treatment Plant.
- 1.7. “Construction”: the construction of the Improvements on the Real Estate.
- 1.8. “Development”: the construction and installation of the Improvements on the Real Estate.
- 1.9. “Event of Default”: set forth in Section 10, below.
- 1.10. “HighPoint WTP Property”: the parcel of land identified as Tax Map 232A2-6-108 in Bedford County, Virginia; it does not include the buildings, pumps, compressors, tanks, generator, treatment equipment, and other equipment and appurtenances contained therein.
- 1.11. “Improvements”: all construction, betterments, buildings and improvements now or hereafter existing on the Real Estate, including without limitation, the Structures, Infrastructure, and any walkways, landscaping, fencing or other amenities on the Real Estate, both above and below ground level.
- 1.12. “Infrastructure”: all transmission lines, pumps, meters and other infrastructure to be constructed in the Easements, in public rights of way or otherwise on the Real Estate.
- 1.13. “Lease”: set forth in the introductory paragraph hereof.
- 1.14. “Operations”: the operation of the Smith Mountain Lake Water Facility by BRWA and WWA during the term of this Lease.

- 1.15. "Permitted Encumbrances": all matters of record as of the date hereof, all easements or other encumbrances approved by the Smith Mountain Lake Water Facility in writing and any unpaid real estate taxes, payments in lieu of taxes, water and sewer charges and any other municipal liens for the current fiscal tax year which are not yet due and payable.
- 1.16. "Plans": the Water Treatment Plant Plans, the Raw Water Intake Plans, and the Water Transmission Lines Plans as prepared by the procured Design Build provider.
- 1.17. "Real Estate": set forth in Recital A, above.
- 1.18. "Raw Water Intake": set forth in Recital A, above.
- 1.19. "Real Estate Taxes": all taxes or payments in lieu of taxes in accordance with any applicable law or regulation, and each installment of all public, special or betterment assessments levied or assessed by or becoming payable to any governmental authority having jurisdiction over the Development, for or with respect to the Real Estate and the Improvements, notwithstanding whether such taxes are applicable to the fee or leasehold estate.
- 1.20. "Rent": Base Rent plus Additional Rent.
- 1.21. "Structures": (1) any structure to be constructed by the Smith Mountain Lake Water Facility on the Treatment Plant Property; (2) the raw water intake and pump station to be constructed by the Smith Mountain Lake Water Facility within the Raw Water Intake Easement; and, (3) all transmission lines, pumps, meters and other infrastructure (the "Infrastructure") to be constructed in the Easements or otherwise on, under or in the Real Estate.
- 1.22. "Taking": any taking of the title to, access to, or use of the Real Estate or any portion thereof by any governmental entity or any conveyance under the threat thereof, for any public or quasi-public use or purpose. Takings may be total or partial, permanent or temporary.
- 1.23. "Term": set forth in Section 3 of this Lease.
- 1.24. "Termination Date": set forth in Section 3 of this Lease.
- 1.25. "Smith Mountain Lake Water Facility Agreement": set forth in the introductory paragraph of this Lease.
- 1.26. "Smith Mountain Lake Water Facility": set forth in the introductory paragraph of this Lease.
- 1.27. "WVWA": set forth in the introductory paragraph of this Lease.

2. PROPERTY AND CONDITIONS

2.1. Property.

2.1.1. Real Estate: The BRWA hereby leases and demises the Real Estate to the Smith Mountain Lake Water Facility and the Smith Mountain Lake Water Facility hereby leases the Real Estate from the BRWA, together with any and all rights, alleys, ways, waters, privileges, appurtenances and advantages belonging to the Real Estate or in any way appertaining to the Real Estate, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease. This Lease does not pertain to Improvements, which shall be the property of the Smith Mountain Lake Water Facility, which Improvements will be owned by the Smith Mountain Lake Water Facility.

2.1.2. Highpoint WTP Property: The BRWA hereby agrees to lease the HighPoint WTP Property to the Smith Mountain Lake Water Facility at such time as it is determined to be needed for Operations and the Smith Mountain Lake Water Facility hereby agrees to lease the Real Estate from the BRWA, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease. This Lease does not pertain to any of the assets located on the HighPoint WTP Property, which shall be the property of the BRWA, unless otherwise agreed to by the Smith Mountain Lake Water Facility and the BRWA per the terms contained in this Ground Lease.

2.2. Condition of Real Estate.

2.2.1. Title. The Real Estate is demised and let to the Smith Mountain Lake Water Facility subject to:

- a) All zoning regulations, restrictions, rules, laws and ordinances now in effect or hereafter adopted by any governmental authority; and,
- b) All matters of record as of the date hereof.

2.2.2. Encumbrances. The BRWA covenants that it will not encumber or lien the title of the Real Estate or the HighPoint WTP Property or cause or permit title to the Real Estate or HighPoint WTP property to be encumbered or liened in any manner during the Term other than as expressly provided for herein.

2.2.3. Quiet Enjoyment. The BRWA covenants and agrees with the Smith Mountain Lake Water Facility that, so long as no Event of Default has occurred under this Lease, the Smith Mountain Lake Water Facility shall and may, at all times during the Term, peaceably and quietly have, hold and enjoy the Real Estate and all rights, appurtenances and privileges belonging or in any way appertaining thereto without hindrance or molestation; provided that the BRWA and its respective agents may enter upon and examine the Real Estate as provided herein. The BRWA and its respective agents shall be entitled to enter the Real Estate on reasonable notice to the

Smith Mountain Lake Water Facility for purposes of: (a) inspecting the Real Estate including inspections for determining compliance with the terms of this Lease or (b) exhibiting the Real Estate to any governmental or quasi-governmental authority which may have an interest in the Development or the Operations. The BRWA shall ensure that each such invitee observes all reasonable safety standards and other procedures which the Smith Mountain Lake Water Facility may require and the BRWA shall use its good faith, reasonable efforts to minimize any interference with or disruption of the Operations.

3. TERM.

- 3.1. Effective Date. This Ground Lease shall become effective and be in full force for a term (the "Term") commencing on the day following the date on which the BRWA and the Smith Mountain Lake Water Facility execute and deliver the Smith Mountain Lake Water Facility Agreement (the "Commencement Date") at 12:01 a.m.
- 3.2. Initial Term. This Ground Lease shall continue in effect until June 30, 2030, unless renewed or terminated as stated herein.
- 3.3. Renewal. After the initial term, the BRWA may either (1) transfer the ownership of the Real Estate to the Smith Mountain Lake Water Facility, or (2) retain ownership and lease it to the Smith Mountain Lake Water Facility at a rental rate of \$1,000 per year for an unlimited number of ten (10) year terms beginning on July 1, 2030.
- 3.4. Termination. This Ground Lease may be terminated, as stated herein, following a one (1) year notice period by the Party requesting the termination. On termination, the Parties may agree on the distribution of the assets and the assumption of the liabilities of the Smith Mountain Lake Water Facility, or, in the event they shall not agree, the assets and liabilities will be distributed to the Parties in accordance with their respective capital contributions and each Party shall be responsible for its Bonds and any other indebtedness incurred by it with regard to the Smith Mountain Lake Water Facility.

4. RENT.

- 4.1. Base Rent. "Base Rent" for the Real Estate shall be Twenty-thousand and 00/100 Dollars (\$20,000) per year for the Term of this Lease, payable by the Smith Mountain Lake Water Facility to the BRWA on the first business day of each year, beginning on the earlier of the Commencement Date or January 1, 2015, unless the Commencement Date occurs after January 1, 2015, in which case it will be paid on the Commencement Date and prorated from the Commencement Date to the end of 2015.
- 4.2. Base Rent After the Term. In the event the Smith Mountain Lake Water Facility continues Operations after the Term of this Lease, Base Rent shall be reduced to

\$1,000 per year, payable by the Smith Mountain Lake Water Facility to the BRWA on the first business day of each year, beginning on July 1, 2030.

4.3. Additional Rent. The Smith Mountain Lake Water Facility covenants and agrees to pay or cause to be paid, as additional rent, without notice or demand and without set-off, abatement, suspension or deduction, the following (the “Additional Rent”):

4.3.1. All insurance premiums paid as to the Real Estate by the BRWA;

4.3.2. All other costs or expenses of ownership that are due and payable during the Term at any time imposed or levied against the Real Estate.

4.3.3. Any charges made by the BWRA pursuant to Sections 6.3.2 or 11.3 hereof.

4.4. HighPoint Rent: In the event that the Smith Mountain Lake Water Facility determines that it would be beneficial to use the HighPoint WTP Property for Operations, the “HighPoint Rent” shall be One Thousand and 00/100 Dollars (\$1,000) per year for the Term of this Lease, payable by the Smith Mountain Lake Water Facility to the BRWA on the first business day of each year, beginning on the year in which the HighPoint WTP Property will be used by the Smith Mountain Lake Water Facility, unless the determination of need is made after the first business day of the year and the use will be needed prior to the beginning of the next year in which case the lease will be prorated from the point of the determination to the end of the year in which the determination is made. If any of the assets located on the HighPoint WTP Property are determined to be beneficial for use by the Smith Mountain Lake Water Facility for Operations, the Smith Mountain Lake Water Facility may negotiate with the BRWA at any time to amend the HighPoint Rent to include provisions for the additional assets.

4.5. Net Lease. Other than as expressly set forth in this Lease, all costs, expenses, liabilities, charges or other deductions whatsoever with respect to the Real Estate and HighPoint WTP Property and the construction, ownership, operation, maintenance and repair of the Improvements shall be the sole responsibility of the Smith Mountain Lake Water Facility.

5. USE. The Smith Mountain Lake Water Facility shall use the Real Estate and HighPoint WTP Property as a raw water intake, water treatment and water transmission facility and shall perform all its Operations on the Real Estate in compliance with all applicable laws, ordinances, codes and regulations affecting the Real Estate or its uses, as the same may be administered by authorized governmental officials.

6. IMPROVEMENTS; LIENS.

6.1. Improvements. The Smith Mountain Lake Water Facility shall construct the Improvements in accordance with the plans (the “Plans”) that are prepared by the procured Design Build provider, and as are approved by both Parties, in a good and workmanlike manner and in conformity with all applicable federal, state, and local laws, ordinances and regulations. The Smith Mountain Lake Water Facility may

make such modifications to the Plans as shall be determined by the Smith Mountain Lake Water Facility in its sole discretion to be useful to the Development or the Operations. As of the Commencement Date and continuing throughout the Term and thereafter if the Smith Mountain Lake Water Facility continues to rent the Real Estate, the Smith Mountain Lake Water Facility shall be solely responsible for maintenance, upkeep and repair of the Improvements. The BRWA shall reasonably cooperate with the Smith Mountain Lake Water Facility and assist the Smith Mountain Lake Water Facility in obtaining all required licenses, permits and governmental authorizations required or desirable for the Development and the Operations, and shall sign all papers and documents at any time needed in connection therewith, including without limitation, such instruments as may be required for maintaining, repairing, replacing and using of water, gas, electric, telephone, sewer or other utility service. However, the cost of such cooperation and assistance, as of the Commencement Date and continuing throughout the Term, shall be at the Smith Mountain Lake Water Facility's sole expense.

6.2. Easements and Dedications. The BRWA covenants and agrees that the BRWA shall not unreasonably withhold, condition or delay its consent to, and shall join with the Smith Mountain Lake Water Facility from time to time during the Term in granting easements affecting the Real Estate for the purpose of providing for the Development and the Operations as well as the operation of the Smith Mountain Lake Water Facility.

6.3. Mechanics' and Other Liens.

6.3.1. The Smith Mountain Lake Water Facility shall make, or cause to be made, prompt payment of all monies due and legally owing to all persons, firms, and corporations doing any work, furnishing any materials or supplies or renting any equipment to the Smith Mountain Lake Water Facility or any of its contractors or subcontractors in connection with any construction, reconstruction, furnishing, repair, maintenance or operation of the Development, and shall use its best efforts throughout the Term to prevent any mechanics', materialmen's or other liens for work, labor, services or materials from being filed or recorded against the Real Estate or any portion thereof. In the event that any lien is filed against the Real Estate, whether due to the actions of the Smith Mountain Lake Water Facility or any person other than the BRWA, then, within fifteen (15) days thereafter, the Smith Mountain Lake Water Facility, at its sole expense, shall procure the release or discharge of such lien or shall cause such lien to be bonded with surety companies reasonably satisfactory to the BRWA.

6.3.2. The Smith Mountain Lake Water Facility, at its sole expense, shall have the right to contest any lien or encumbrance by appropriate proceedings, provided, however, that such proceedings shall prevent the collection of or other realization upon such lien or encumbrance so contested, and shall prevent the sale, forfeiture or loss of the Development or the Real Estate to satisfy the same during the pendency of such proceedings, and further

provided that such contest shall not subject the BRWA to the risk of any criminal liability or civil penalty. The Smith Mountain Lake Water Facility shall give such reasonable security as may be requested by the BRWA to ensure payment of such lien or encumbrance and to prevent any sale or forfeiture of the Real Estate by reason of such nonpayment, provided, however, that the amount of such security shall not exceed one hundred and fifty percent (150%) of the amount of the contested lien or encumbrance. Upon the termination after final appeal of any proceeding relating to any amount contested by the Smith Mountain Lake Water Facility pursuant to this Section, the Smith Mountain Lake Water Facility shall immediately pay any amount determined in such proceeding to be due. In the event the Smith Mountain Lake Water Facility fails to make such payment, the BRWA shall have the right, but not the obligation, after five (5) days' notice to the Smith Mountain Lake Water Facility, to make any such payment on behalf of the Smith Mountain Lake Water Facility and charge the Smith Mountain Lake Water Facility therefor as Additional Rent payable in accordance with Section 4.3.3 hereof.

- 6.3.3. Nothing contained in this Lease shall be construed as constituting the consent or request of the BRWA, expressed or implied, to or for the performance of any labor or services or the furnishing of any materials by or on behalf of the Smith Mountain Lake Water Facility for construction, alteration, addition, repair or demolition of or to the Development or of any part thereof other than in its role as a party to the Smith Mountain Lake Water Facility Agreement. Notice is hereby given that the BRWA will not be liable for any labor, services, or materials furnished or to be furnished to the Smith Mountain Lake Water Facility, or to anyone holding the Development or any part thereof through or under the Smith Mountain Lake Water Facility, and that no mechanics' or other liens for any such labor, services or materials shall attach to or affect the interest of the BRWA in and to the Real Estate.
- 6.4. Demolition. The Smith Mountain Lake Water Facility may in its sole discretion demolish or remove any structures, fixtures or other Improvements at any time placed in or upon the Real Estate.
- 6.5. Ownership of Improvements. The Improvements shall be assets of the Smith Mountain Lake Water Facility.

7. INSURANCE.

- 7.1. Maintenance of Insurance. Throughout the Term, the Smith Mountain Lake Water Facility shall maintain, at the Smith Mountain Lake Water Facility's expense, or, if required by the BRWA's insurance carrier, the BRWA shall maintain, subject to being reimbursed in accordance with the Smith Mountain Lake Water Facility Agreement, the following insurance coverage in a form consistent with the requirements of this Section:

- 7.1.1. Insurance against loss or liability in connection with bodily injury, death or property damage or destruction, occurring in or on the Real Estate or the Improvements or arising out of the use thereof by the Smith Mountain Lake Water Facility or its agents, contractors, employees, officers, tenants, subtenants, invitees, visitors and guests;
 - 7.1.2. Property insurance coverage against risks of physical loss of or damage to the Real Estate and the Improvements; and
 - 7.1.3. Worker's compensation insurance as required by law.
- 7.2. Requirements of Insurance. Insurance maintained by the Smith Mountain Lake Water Facility pursuant to this Section of this Lease shall:
 - 7.2.1. With respect to liability insurance, be in an amount of coverage not less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) in the aggregate, or such other lesser amount as is acceptable to the BRWA. With respect to hazard insurance, be in an amount of coverage not less than the replacement value of the Water Treatment Plant and the Raw Water Intake Facility. With respect to all other insurance, be in an amount of coverage as the Smith Mountain Lake Water Facility may determine is appropriate, subject to the approval of the BRWA in its reasonable discretion, which approval shall not be unreasonably withheld, conditioned or delayed;
 - 7.2.2. Be obtained from financially sound and responsible insurance companies authorized to do business in the Commonwealth of Virginia;
 - 7.2.3. Have attached thereto a clause making the loss payable to the Smith Mountain Lake Water Facility and the BRWA, as their respective interests may appear;
 - 7.2.4. Be written to become effective at the time the Smith Mountain Lake Water Facility becomes subject to the risk or hazard covered thereby, and shall be continued in full force and effect for such period as the Smith Mountain Lake Water Facility is subject to such risk or hazard;
 - 7.2.5. Cover the BRWA, its officials, officers, directors, contractors, agents and employees as additional insureds with respect to liability arising out of the Real Estate; and
 - 7.2.6. Be endorsed to provide for a minimum of thirty (30) days notice to the Smith Mountain Lake Water Facility and the BRWA of any cancellation or non-renewal of the insurance policy.
- 7.3. Notice. Upon the reasonable written request of the BRWA, the Smith Mountain Lake Water Facility shall deliver certificates of insurance evidencing the existence of

all required insurance coverage and, if so requested, complete copies of all original policies and endorsements.

8. CASUALTY AND CONDEMNATION.

- 8.1. Casualty. If any Improvements on the Real Estate are damaged or destroyed by fire or other casualty, the Smith Mountain Lake Water Facility shall proceed promptly to establish and collect all valid claims which may have arisen against insurers or others based upon any such damage or destruction. The Smith Mountain Lake Water Facility shall hold, use and expend such insurance proceeds or other funds so collected for purposes of the repair, restoration or reconstruction of the Improvements.
- 8.2. Notice of Condemnation. Promptly upon receipt by either the BRWA or the Smith Mountain Lake Water Facility of any notice of any proceedings for a Taking, the party receiving such notice shall promptly give notice thereof to the other, and such other party may also appear in such proceeding and be represented by counsel, who may be counsel for the party receiving such notice.
- 8.3. Total Taking. In the event of a permanent Taking of the fee title to the Real Estate, of control of the Real Estate or of the entire leasehold estate hereunder, this Lease shall terminate as of the effective date of such Taking. The BRWA as landlord and the Smith Mountain Lake Water Facility as tenant may separately pursue their respective condemnation awards for damages due to such taking, the BRWA's being for the Real Estate and that of the Water Authority being for the Improvements.
- 8.4. Partial Taking. In the event of a permanent Taking of less than all of the Real Estate and the Improvements, then:
 - 8.4.1. If the Smith Mountain Lake Water Facility reasonably determines that the continued use and occupancy of the remainder of the Real Estate and/or Improvements by the Smith Mountain Lake Water Facility is or can reasonably be made to be economically viable, structurally sound, and otherwise feasible based upon the amount of the award and any available other funds the Smith Mountain Lake Water Facility as are demonstrably available for the purpose of paying for such restoration, then the Real Estate and the Improvements shall be restored pursuant to this Section hereof;
 - 8.4.2. If the Smith Mountain Lake Water Facility reasonably determines that the continued use and occupancy of the remainder of the Real Estate and/or Improvements by the Smith Mountain Lake Water Facility is not or cannot reasonably be made to be economically viable, structurally sound, and otherwise feasible, then the Smith Mountain Lake Water Facility may terminate this Lease as of the effective date of such Taking.
- 8.5. Commencement and Completion of Restoration.

- 8.5.1. Following Casualty. In the event that the Smith Mountain Lake Water Facility is required to, or elects to, repair, restore or reconstruct the Improvements or any portion thereof following a casualty pursuant to this Section, such repair, restoration or reconstruction shall commence within ninety (90) days after the insurance proceeds have been received by or made available to the Smith Mountain Lake Water Facility (or, if the conditions then prevailing require a longer period, such longer period as shall reasonably be required by the Smith Mountain Lake Water Facility proceeding with due diligence), and the Smith Mountain Lake Water Facility shall diligently prosecute such repair, restoration or reconstruction to completion, such efforts to be completed within one (1) year after the commencement thereof (or, if the conditions then prevailing require a longer period, such longer period as shall reasonably be required by the Smith Mountain Lake Water Facility proceeding with due diligence).
- 8.5.2. Following Condemnation. In the event that the Smith Mountain Lake Water Facility elects to repair, restore or reconstruct the remainder of the Improvements or any portion thereof following a Taking pursuant to this Section, the Smith Mountain Lake Water Facility may procure and approve plans and specifications to modify the remaining Improvements, as applicable, consistent with the remaining Real Estate and the anticipated Takings award available for reconstruction. Upon approval of said plans, such repair, restoration or reconstruction shall commence within one hundred twenty (120) days after the proceeds of the Takings award have been received by or made available to the Smith Mountain Lake Water Facility (or, if the conditions then prevailing require a longer period, such longer period as shall reasonably be required by the Smith Mountain Lake Water Facility proceeding with due diligence), and the Smith Mountain Lake Water Facility shall diligently prosecute such repair, restoration or reconstruction to completion, such efforts to be completed within one (1) year after the commencement thereof.
- 8.6. Allocation of Proceeds. All insurance proceeds or proceeds of any award for any Taking, whether pro tanto or final, shall, notwithstanding any allocation made by the awarding government entity, be paid and allocated in the following order of priority:
 - 8.6.1. First, to pay all reasonable fees and expenses of collection, including but not limited to, reasonable attorneys' fees and experts' fees, or to reimburse the parties for fees and expenses of collection previously paid by such party;
 - 8.6.2. Second, to pay for any restoration, repair or reconstruction authorized pursuant to this Section;
 - 8.6.3. Third, to the Smith Mountain Lake Water Facility in an amount equal to the total "cost of construction" (calculated as the total original cost of developing the Development, less land acquisition costs, if any, and less non-capitalized soft costs), less the amounts distributed to the Smith Mountain Lake Water

Facility pursuant to this Section. In the event that the foregoing provides or is anticipated to provide compensation to any party in excess of the funds loaned or invested by such party into the Development, the BRWA and the Smith Mountain Lake Water Facility shall negotiate in good faith to revise such allocation of proceeds.

- 8.7. Termination. In the event that the Smith Mountain Lake Water Facility terminates this Lease following a casualty or Taking pursuant to the terms of this Section, the Smith Mountain Lake Water Facility shall deliver to the BRWA any plans or other technical materials related to the Real Estate or the remaining Improvements, prepared by or for the Smith Mountain Lake Water Facility or in the Smith Mountain Lake Water Facility's possession. The Smith Mountain Lake Water Facility shall transfer possession of the Real Estate to the BRWA in accordance with Section 11.1 of this Lease and the BRWA will pay the Smith Mountain Lake Water Facility the depreciated book value thereof in accordance with Section 11.1 of this Lease and, upon allocation of the proceeds of any insurance or Taking award pursuant to the terms of Section 8.6 and upon payment in full of any Rent or refund of Rent payable hereunder this Lease shall be terminated without liability or further recourse to the parties hereto.

9. INDEMNITIES.

- 9.1. Smith Mountain Lake Water Facility Indemnities. The Smith Mountain Lake Water Facility covenants and agrees to indemnify, to the extent permissible by law, and without waiving sovereign immunity, the BRWA, defend the BRWA with counsel selected by the Smith Mountain Lake Water Facility and acceptable to the BRWA in its reasonable discretion, and hold the BRWA harmless from any and all liabilities, losses, claims, demands, fees and expenses of any kind or any nature whatsoever (including, without limitation, remediation costs, environmental assessment costs, governmental compliance costs, and reasonable experts' and attorneys' fees and expenses), known or unknown, foreseen or unforeseen, which may at any time be imposed upon, incurred by, or asserted or awarded against the BRWA arising from:
- 9.1.1. Any accident, injury or damage whatsoever occurring in, at, or upon the Real Estate.
 - 9.1.2. Breach by the Smith Mountain Lake Water Facility of any agreement or condition of this Lease; or
 - 9.1.3. Breach by the Smith Mountain Lake Water Facility, its employees, contractors, agents, tenants, or invitees of any of them, of any environmental restriction, statute, law, ordinance or regulation, including without limitation restrictions, statutes, laws, ordinances or regulations relating to the presence, release or threat of release of oil or hazardous substances in each case affecting the Real Estate or the Improvements or any part thereof or the ownership, occupancy or use thereof during the Term.

9.2. Scope of Indemnity. Any covenant or agreement to indemnify or defend the BRWA or to hold the BRWA harmless shall also serve to indemnify, defend or hold harmless any employees, agents, contractors, officers, and any successors thereof, of the BRWA. Any obligation to indemnify, defend or hold harmless pursuant to this Section shall bind the successors and assigns of such party.

9.3. Notice of Claims; Survival. The BRWA shall provide the Smith Mountain Lake Water Facility with prompt and timely notice of any claim made or suit instituted against the BRWA or any other party of which it has knowledge, relating to any matter which in any way may result in indemnification pursuant to this Section. The obligations of the Smith Mountain Lake Water Facility under this Section shall, without limitation, survive the expiration or any earlier termination of this Lease.

10. DEFAULT. Following written notice to the breaching party and to any third parties as required by this Lease, and following an opportunity to cure of not less than thirty (30) days (provided, however, that if the cure cannot be completed within such period, the breaching party commences the cure within such period and diligently prosecutes the cure to completion, such opportunity to cure shall be extended as reasonably necessary to permit completion of the cure), the occurrence of any of the following events shall constitute an event of default hereunder (“Event of Default”):

10.1. The Smith Mountain Lake Water Facility fails to pay when due any Rent pursuant to the terms of this Lease;

10.2. The Smith Mountain Lake Water Facility fails in any material respect to observe or perform any covenant, condition, agreement or obligation of this Lease;

10.3. The Smith Mountain Lake Water Facility abandons the Real Estate or any substantial portion thereof;

10.4. Any representation or warranty set forth in this Lease, in any certificate delivered pursuant hereto, or in any notice, certificate, demand, submittal or request delivered by one party to the other pursuant to this Lease shall prove to have been incorrect in any material and adverse respect when made;

10.5. The Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility’s performance is adjudicated bankrupt or declared insolvent under any Bankruptcy Law;

10.6. An order for relief against the Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility’s performance or any similar order is entered in any involuntary case under any Bankruptcy Law;

10.7. A petition commencing an involuntary case against the Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility’s performance or proposing the reorganization of the Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility’s performance under any

Bankruptcy Law is filed in and approved by any court of competent jurisdiction and is not subsequently discharged or denied;

- 10.8. A proceeding or case is commenced and continues undismissed for ninety (90) days in any court of competent jurisdiction seeking (a) the liquidation, reorganization, dissolution, winding-up or adjustment of debts of the Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility's performance, (b) the appointment of a receiver, custodian, trustee, United States Trustee or liquidator (or other similar official) with respect to the Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility's performance or any substantial portion of the Smith Mountain Lake Water Facility's property, or (c) any similar relief as to the Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility's performance pursuant to any Bankruptcy Law; or any order, judgment or decree approving or ordering any of the foregoing is entered and continues unstayed and in effect; and/or
- 10.9. The Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility's performance: (a) applies for or consents to the appointment of, or the taking of possession by, any receiver, custodian, trustee, United States Trustee or LLC or liquidator (or other similar official) with respect to the Smith Mountain Lake Water Facility or any substantial portion of the Smith Mountain Lake Water Facility's property; (b) admits in writing its inability to pay its debts as they become due; (c) makes a general assignment for the benefit of its creditors; (d) files a petition commencing a voluntary case under or seeking to take advantage of any Bankruptcy Law; or (e) fails to controvert in a timely and appropriate manner, or in writing acquiesces to, any petition commencing an involuntary case against the Smith Mountain Lake Water Facility or any guarantor of the Smith Mountain Lake Water Facility's performance pursuant to any Bankruptcy Law.

11. REMEDIES.

- 11.1. Following Default by the Smith Mountain Lake Water Facility. If there shall occur an Event of Default on the part of the Smith Mountain Lake Water Facility, the BRWA may:
 - 11.1.1. Seek any and all remedies available at law or in equity; or
 - 11.1.2. Terminate this Lease upon not less than thirty (30) additional days' written notice to the Smith Mountain Lake Water Facility and any third parties as required by this Lease, setting forth the Smith Mountain Lake Water Facility's uncured, continuing default and BRWA's intent to exercise its rights to terminate under this Section. During such thirty (30) day period, the Smith Mountain Lake Water Facility may present additional information to the BRWA contesting the breach or setting forth any ongoing efforts to cure the breach and the anticipated completion date of such efforts. At the expiration of such thirty (30) day period and following the BRWA's good faith review of such additional information, the BRWA shall provide the

Smith Mountain Lake Water Facility with a notice stating that either the alleged default has been cured and the Lease remains in effect, or that the Lease is terminated on the date set forth in such notice. Upon such termination, the Smith Mountain Lake Water Facility shall promptly quit and surrender the Real Estate and the Improvements to the BRWA, and the BRWA shall pay the Smith Mountain Lake Water Facility the depreciated book value of the Improvements. Upon termination of this Lease pursuant to this Section, and payment to the Smith Mountain Lake Water Facility the book value of the Improvements, the BRWA may:

- a) Retain any Rent paid hereunder through the date of termination of the Lease;
- b) Require the Smith Mountain Lake Water Facility to deliver to the BRWA, or otherwise effectively transfer to the BRWA, any and all governmental approvals and permits, and any and all rights of possession, ownership or control the Smith Mountain Lake Water Facility may have in and to any and all financing arrangements, plans, specifications, and other technical documents or materials related to the Development; and
- c) Seek all remedies available to the BRWA at law or in equity.

11.2. Following default by the BRWA. If there shall occur an Event of Default on the part of BRWA, the Smith Mountain Lake Water Facility may seek any and all remedies available at law or in equity.

11.3. Performance by the BRWA. If the Smith Mountain Lake Water Facility fails to make any payment or perform any act required under this Lease, the BRWA may (but need not) cure such default for the account of the Smith Mountain Lake Water Facility after giving not less than fifteen (15) days' prior written notice (except in case of emergencies, in which case the BRWA shall endeavor to give prior notice and in any event shall provide prompt notice after curing such default) to the Smith Mountain Lake Water Facility and without waiving any default or releasing the Smith Mountain Lake Water Facility from any obligations, provided, however, that the BRWA reasonably believes that such action is required to protect the BRWA's interests. The Smith Mountain Lake Water Facility shall promptly pay as Additional Rent in accordance with Section 4.3.3 hereof to the BRWA the amount of such charges, costs and expenses as the BRWA shall have incurred in curing such default.

11.4. Remedies Cumulative. Unless otherwise specifically provided in this Lease, no remedy herein shall be exclusive of any other remedy or remedies, and each such remedy shall be cumulative and in addition to every other remedy, and every power and remedy given by this Lease may be exercised from time to time and as often as may deemed expedient by either party. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

12. MORTGAGE AND INVESTOR PROVISIONS.

12.1.1 BRWA's Right to Mortgage. During the Term, the BRWA may not mortgage or refinance its fee interest in the Real Estate without the prior written consent of the Smith Mountain Lake Water Facility. Such mortgage shall be expressly subject to the terms and conditions of this Lease, whether or not this Lease is referenced in the mortgage document.

12.1. Smith Mountain Lake Water Facility's Right to Mortgage. The Smith Mountain Lake Water Facility shall have no right to encumber its leasehold interest in the Real Estate and the Improvements without prior written approval from the BRWA. Such mortgage shall be expressly subject to the terms and conditions of this Lease, whether or not this Lease is referenced in the mortgage document.

13. MISCELLANEOUS.

13.1. Successors and Assigns. Unless repugnant to the context, the words "BRWA" and "the Smith Mountain Lake Water Facility" shall be construed to mean the original parties, their respective successors and assigns and those claiming through or under them respectively. The agreements and conditions in this Lease contained on the part of and to be performed and observed by the Smith Mountain Lake Water Facility shall be binding upon the Smith Mountain Lake Water Facility and its successors and assigns and shall inure to the benefit of the BRWA and its successors and assigns, and the agreements and conditions in this Lease contained on the part of and to be performed and observed by the BRWA shall be binding upon the BRWA and its successors and assigns and shall inure to the benefit of the Smith Mountain Lake Water Facility and its successors and assigns. Notwithstanding the previous sentence, the BRWA agrees that the Smith Mountain Lake Water Facility and its successors and assigns shall be liable only for obligations accruing while the Smith Mountain Lake Water Facility and its successors and assigns hold the leasehold estate created hereunder. No holder of a mortgage of the leasehold interest hereunder shall be deemed to be the holder of said leasehold estate until such holder shall have acquired indefeasible title to said leasehold estate.

13.2. Assignment. the Smith Mountain Lake Water Facility may not assign its interest in the Lease without the prior written consent of the BRWA, which consent may be withheld by the BRWA in its sole discretion. Any attempted transfer without such consents shall be null and void.

13.2.1. Prohibited Transfers. the Smith Mountain Lake Water Facility agrees for itself and its successors and assigns in interest hereunder that it will not (1) assign this Lease or any of its rights under this Lease as to all or any portion of the Real Estate or the Improvements, or (2) make or permit any voluntary or involuntary total or partial sale, lease, assignment, conveyance, mortgage, pledge, encumbrance or other transfer of any or all of the Real Estate, the Improvements or the Real Estate or the occupancy or use thereof, other than in accordance with this Lease (including but not limited to (i) any sale at foreclosure or by the execution of any judgment of any or all of the Smith

Mountain Lake Water Facility's rights hereunder, or (ii) any transfer by operation of law), without first obtaining BRWA's express written consent thereto.

- 13.2.2. Any person to whom any transfer is attempted without such consent shall have no claim, right or remedy whatsoever hereunder against the BRWA, and the BRWA shall have no duty to recognize any person claiming under or through the same.
- 13.3. Amendment. This Lease may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.
- 13.4. Estoppel Certificate. Each party agrees from time to time, upon no less than ten (10) days prior notice from the other, to execute, acknowledge and deliver to the other a statement certifying that: (i) this Lease is unmodified and in full force and effect (or, if there have been any modifications, that the same is in full force and effect as modified and stating the modifications); (ii) the dates to which the Rent has been paid, and that no additional rent or other payments are due under this Lease (or if additional rent or other payments are due, the nature and amount of the same); and (iii) whether there exists any uncured default by the other party, or any defense, offset, or counterclaim against the other party, and, if so, the nature of such default, defense, offset or counterclaim. Any such statement delivered pursuant to this Section may be relied upon by any prospective purchaser or holder of a mortgage of the leasehold interest hereunder or any prospective holder of a sublease from the Smith Mountain Lake Water Facility or any prospective assignee of any such holder of a mortgage or sublease.
- 13.5. Recordable Form of Lease. Upon the request of either the BRWA or the Smith Mountain Lake Water Facility, the parties shall execute, acknowledge and deliver a memorandum of this Lease in the form of Exhibit B, hereto, which the Smith Mountain Lake Water Facility, at its sole expense, may record in the public office in which required to put third parties on notice. If this Lease is terminated before the Term expires, the parties shall execute, deliver and record an instrument acknowledging such fact and the date of termination of this Lease. The recordation of such instrument shall be at the sole expense of the Smith Mountain Lake Water Facility.
- 13.6. Notice. Any notice or other communication given or made pursuant to this Lease shall be in writing and shall be deemed given if: (i) delivered personally or by courier;(ii) sent by overnight express delivery; or (iii) mailed by registered or certified mail (return receipt requested), postage prepaid, to a party at its respective address set forth below (or at such other address as shall be specified by the party by like notice given to the other party);

If to the Smith Mountain Lake Water Facility:

Bedford Regional Water Authority
1723 Falling Creek Road
Bedford, Virginia 24523
Attention: Executive Director

and

Western Virginia Water Authority
601 South Jefferson Street
Roanoke, Virginia 24011
Attention: Executive Director, Water Operations

If to BRWA:

Bedford Regional Water Authority
1723 Falling Creek Road
Bedford, Virginia 24523
Attention: Executive Director

All such notices and other communications shall be deemed given and received: (i) in the case of personal or local courier delivery, on the date of such delivery; (ii) in the case of delivery by overnight courier or express delivery service, on the date following dispatch; and (iii) in the case of mailing, three (3) business days after the date of mailing. For the sake of convenience and rapidity of transmission, copies of notices may be sent by telecopy transmission, but such transmission alone shall not be deemed to satisfy the notice requirements of this Lease absent actual receipt or the giving of notice by one of the other means stated above.

- 13.7. Waiver. Failure of either party to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver by such party of any of its rights hereunder. No waiver by either party at any time, express or implied, of any breach of any provision of this Lease shall be deemed a waiver of a breach of any other provision of this Lease or a consent to any subsequent breach of the same or any other provision. If any action by either party shall require the consent or approval of the other party, the other party's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of such action on any subsequent occasion or a consent to or approval of any other action on any subsequent occasion. Any and all rights and remedies which either party may have under this Lease or by operation of law, either at law or in equity, upon any breach, shall be distinct, separate and cumulative and shall not be deemed inconsistent with each other; and no one of them, whether exercised by said party or not, shall be deemed to be in exclusion of any other; and two or more or all of such rights and remedies may be exercised at the same time.
- 13.8. Performance Under Protest. In the event of a dispute or difference between BRWA and the Smith Mountain Lake Water Facility as to any obligation which either may assert the other is obligated to perform or do, then the party against whom such

obligation is asserted shall have the right and privilege to carry out and perform the obligation so asserted against it without being considered a volunteer or deemed to have admitted the correctness of the claim, and shall have the right to bring an appropriate action at law, equity or otherwise against the other for the recovery of any sums expended in the performance thereof and, in any such action, the successful party shall be entitled to recover, in addition to all other recoveries, such reasonable attorneys' fees as may be awarded by the court.

- 13.9. No Third Party Beneficiaries. Nothing contained in this Lease shall be deemed or construed to create any relationship of third party beneficiary, principal and agent, joint venture or any association or relationship involving the Smith Mountain Lake Water Facility, the BRWA or any third party.
- 13.10. Attorneys' Fees. If either party brings any action for damages or other relief against the other, including without limitation a suit by the BRWA for the recovery of Rent or for possession of the Real Estate, the prevailing party shall be entitled to receive payment from the losing party of all reasonable costs and expenses, including, without limitation, reasonable attorneys' fees. The provisions of this Section shall be applicable in trial, arbitration and appellate proceedings. The obligation for fees set forth herein shall accrue on commencement of such proceedings whether or not such proceedings are prosecuted to judgment or final determination.
- 13.11. Headings. The headings used for the various articles and sections of this Lease are used only as a matter of convenience for reference, and are not to be construed as part of this Lease or to be used in determining the intent of the parties of this Lease.
- 13.12. Construction. The BRWA and the Smith Mountain Lake Water Facility agree that all the provisions hereof are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate section thereof.
- 13.13. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia applicable to contracts made and to be performed therein.
- 13.14. Counterparts. This Lease may be executed in multiple counterparts and all such counterparts shall be deemed to be originals and together shall constitute but one and the same instrument.
- 13.15. Invalidity. If any term, covenant, provision or condition of this Lease or the application thereof to any person or circumstances shall be declared invalid or unenforceable by the final ruling of a court of competent jurisdiction having final review, the application of the remaining terms, covenants, provisions and conditions of this Lease shall not be affected thereby and shall continue to be enforced and recognized as valid agreements of the parties, and in the place of such invalid or unenforceable provision there shall be substituted a like, but valid and enforceable,

provision which comports to the findings of the aforesaid court and most nearly accomplishes the original intention of the parties.

- 13.16. Exhibits. The exhibits referenced in this Lease are incorporated into this Lease by such references and are to be construed as a part of this Lease.
- 13.17. Entire Agreement. This instrument contains all the agreements made between the parties hereto with respect to the subject matter hereof and may not be modified in any other manner than by an instrument in writing executed by the parties or their respective successors in interest.

IN WITNESS WHEREOF, the parties have executed this Ground Lease as of the date first written above.

**BEDFORD REGIONAL WATER AUTHORITY,
AND PARTY TO THE SMITH MOUNTAIN LAKE WATER FACILITY**

By: 
Elmer C. Hodge; Chairman

By: 
Brian M. Key; Executive Director

and

**WESTERN VIRGINIA WATER AUTHORITY,
PARTY TO THE SMITH MOUNTAIN LAKE WATER FACILITY**

By: 
Shirley B. Holland; Vice-Chair

By: 
Gary L. Robertson; Executive Director, Water Operations

EXHIBIT A
TO GROUND LEASE

DESCRIPTION OF TREATMENT PLANT PROPERTY

The Treatment Plant Property is comprised of the combination of a portion of Tax Parcel 233-A-40B and the entire Tax Parcel 233-A-40 both of which are located on Radford Church Road in Moneta, Virginia in Bedford County. Bedford County agreed to transfer approximately 69 acres to the BRWA by Bedford County resolution #R021014-04 dated February 10, 2014. A plat is being prepared for recordation to create and define this new combined parcel that will be subject to this Ground Lease.

DESCRIPTION OF RAW WATER INTAKE EASEMENT

The Raw Water Intake Easement is located on Tax Parcel 232A2-3-30A at the end of Lakewood Drive in the High Point subdivision in Moneta, Virginia in Bedford County. The raw water pump station contained on the easement is located at 308 Lakewood Drive. The parcel is owned by the High Point Property Owners Association (“HPPOA”), and the HPPOA granted the easement on October 31, 1997; the easement agreement is recorded in the Bedford County Courthouse under recordation number 980010986, and a plat of the easement is recorded in Plat Book 36, Page 385.

DESCRIPTION OF HIGHPOINT WTP PROPERTY

The HighPoint WTP Property is the parcel of land identified as Tax Map 232A2-6-108 situated at the intersection of High Point Road and Driftwood Court in Moneta, Virginia in Bedford County. The HighPoint Water Treatment Plant is situated on the property, with a street address of 574 High Point Road. The recordation RPC number is 23234800.

EXHIBIT B
TO GROUND LEASE

BEDFORD REGIONAL WATER AUTHORITY

TO

SMITH MOUNTAIN LAKE WATER FACILITY OWNED AND OPERATED BY

BEDFORD REGIONAL WATER AUTHORITY

AND

WESTERN VIRGINIA WATER AUTHORITY

THIS MEMORANDUM OF GROUND LEASE (“Memorandum of Ground Lease”), is made as of the 7th day of May, 2014, by and between the Bedford Regional Water Authority, a Virginia waste and water authority created pursuant to § 15.2-1502 et seq. of the Code of Virginia, 1950, as amended, (the “BRWA”) with the address of 1723 Falling Creek Road, Bedford, Virginia 24523 and the BRWA; and, the Western Virginia Water Authority, a Virginia waste and water authority created pursuant to § 15.2-1502 et seq. of the Code of Virginia, 1950, as amended (the “WVWA”), acting together for the development and operation of a raw water intake facility and water treatment plant pursuant to a Joint Facility Agreement by and between the BRWA and the WVWA (the BRWA and the WVWA being referred to herein collectively as “the Smith Mountain Lake Water Facility”).

Pursuant to Section 36-19 of the Code of Virginia, 1950, as amended, the BRWA and the Smith Mountain Lake Water Facility hereby certify and acknowledge that they have entered into a ground lease of real estate as follows:

1. Purpose of the Memorandum of Ground Lease. This Memorandum of Ground Lease is prepared for the purpose of recordation, and it in no way modifies or affects the provisions of the Ground Lease. The parties have executed and recorded this instrument for the purpose of imparting notice of the Ground Lease. This Memorandum of Ground Lease and the Ground Lease shall bind and inure to the benefit of the parties hereto, their respective heirs, successors and assigns, subject, however, to the provisions of the Ground Lease regarding assignment.
2. Real Estate. The BRWA leases and demises to the Smith Mountain Lake Water Facility and the Smith Mountain Lake Water Facility leases from the BRWA certain real property (1) “Treatment Plant Property” located on Radford Church Road in Moneta, VA; (2) “Raw Water Intake Easement” located on Lakewood Drive in Moneta, Virginia; (3) “HighPoint WTP Property” located on High Point Road in Moneta, Virginia; and (4) certain easements (the “Easements”) necessary to transmit (a) raw water from the Raw Water Intake Easement to the Treatment Plant Property and (b) finished water from the Treatment Plant Property to the points at which finished water will be metered for sale

to the BRWA and to the WVWA. These leased properties are more particularly described in the Ground Lease.

3. Terms.

Effective Date. This Ground Lease shall become effective and be in full force when authorized, executed, and delivered by and to each Party ("Commencement Date").

Initial Term. This Ground Lease shall continue in effect until June 30, 2030, unless renewed or terminated as stated herein.

Renewal. This Ground Lease may be renewed for an unlimited number of ten (10) year terms beginning on July 1, 2030.

Termination. This Ground Lease may be terminated, as stated herein, following a one (1) year notice period by the Party requesting the termination. On termination, the Parties may agree on the distribution of the assets and the assumption of the liabilities of the Smith Mountain Lake Water Facility, or, in the event they shall not agree, the assets and liabilities will be distributed to the Parties in accordance with their respective capital contributions and each Party shall be responsible for its Bonds and any other indebtedness incurred by it with regard to the Smith Mountain Lake Water Facility.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Ground Lease as of the date first written above.

**BEDFORD REGIONAL WATER AUTHORITY,
AND PARTY TO THE SMITH MOUNTAIN LAKE WATER FACILITY**

By: 
Elmer C. Hodge; Chairman

By: 
Brian M. Key; Executive Director

and

**WESTERN VIRGINIA WATER AUTHORITY,
PARTY TO THE SMITH MOUNTAIN LAKE WATER FACILITY**

By: 
Shirley B. Holland; Vice-Chair

By: 
Gary L. Robertson; Executive Director, Water Operations