

VIRGINIA:

IN THE CIRCUIT COURT OF THE COUNTY OF BEDFORD

IN RE:

THE BOARD OF DIRECTORS OF THE
BEDFORD REGIONAL WATER AUTHORITY,
\$1,200,000 Taxable Water and Sewer System
Revenue Bond Anticipation Note, Series 2014

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)
)
) Case No.: _____
)

PETITION

The Board of Directors of the Bedford Regional Water Authority (the "Authority"), a water and wastewater authority established and existing pursuant to Chapter 51 of Title 15.2 of the Code of Virginia, 1950, as amended, §§ 15.2-5100 through 15.2-5159, by counsel, hereby files, pursuant to Virginia Code § 15.2-5126, a certified copy of the initial resolution of the Authority authorizing the issuance of the Authority's \$1,200,000 Taxable Water and Sewer System Revenue Bond Anticipation Note, Series 2014.

Respectfully submitted,

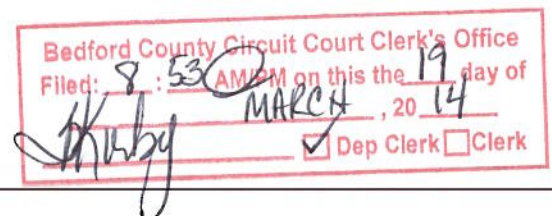
THE BOARD OF DIRECTORS OF THE
BEDFORD REGIONAL WATER AUTHORITY

By: _____

Of Counsel

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Counsel for Bedford Regional Water Authority



**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A
TAXABLE WATER AND SEWER REVENUE BOND ANTICIPATION NOTE,
SERIES 2014, OF THE BEDFORD REGIONAL WATER AUTHORITY,
IN THE PRINCIPAL AMOUNT OF UP TO \$1,200,000 AND PROVIDING
FOR THE FORM, DETAILS AND PAYMENT THEREOF**

WHEREAS, the Bedford Regional Water Authority (the “Authority”), a public service authority formed and existing in accordance with the provisions of Chapter 51 of Title 15.2 of the Code of Virginia, 1950, as amended, the Virginia Water and Waste Authorities Act §§ 15.2-5100-15.2-5158 (the “Act”), has determined to authorize the issuance of its Taxable Water and Sewer System Revenue Bond Anticipation Note, Series 2014 (the “BAN”) in the principal amount of up to \$1,200,000, to provide interim financing for design and engineering work for the Authority’s planned Smith Mountain Lake water treatment plant and intake facility, in anticipation of the closing of long-term financing to be provided by the Virginia Resources Authority or other financial institution (the “Project”); and,

WHEREAS, the Authority had determined to issue the BAN for the purpose of providing financing for the Project; and,

WHEREAS, Wells Fargo Bank, N.A. (the “Bank”) has offered to purchase the BAN at the price and on the terms hereinafter provided.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Bedford Regional Water Authority:

1. It is hereby determined to be necessary and expedient for the Authority to borrow up to \$1,200,000 to provide financing for the Project.

2. Pursuant to the Act, there is hereby authorized to be issued and sold a Taxable Water and Sewer Revenue Bond Anticipation Note, Series 2014, of the Authority in the principal face amount of \$1,200,000 (the “BAN”).

3. The Authority expects to receive a commitment (the “Take-Out Commitment”) from the Commonwealth of Virginia Resources Authority or another financial institution to purchase the Authority’s up to \$34,000,000 Water and Sewer Revenue Bond (the “Bond”). The BAN is being issued in anticipation of the issuance of the Bond, and the Authority hereby undertakes the issuance of the Bond in accordance with the terms of the Take-Out Commitment.

4. After mature consideration of the method of sale of the BAN and current conditions of the municipal bond market, it is hereby determined that it is in the best interest of the Authority to accept the offer of the Bank to purchase the BAN, which shall mature and bear interest set forth below, and such offer is hereby accepted.

5. The BAN shall be a single fully registered Note without coupons, shall be numbered R-1, shall be dated as of the date of its delivery to Bank upon payment therefore, (the “Closing Date”), shall bear interest at an annual rate fixed rate not to exceed 3% to be established

with reference to the one month London InterBank Offered Rate established by the British Bankers Association as of the week prior to issuance. Interest on the BAN shall be due and payable semi-annually on the first day of each September and March, beginning September 1, 2014, until the BAN is paid in full. The principal of the BAN shall be due and payable on the earlier of (a) issuance and sale of the Bond or (b) final maturity date of twelve (12) months from the closing date of the BAN. The payment of every installment shall be applied first to interest accrued to the date of payment and then to principal. Installments and the aforesaid semi-annual interest payments shall be payable in lawful money of the United States of America by check or draft mailed to the registered owner of the BAN at its address as it appears on the registration books of the Authority, except that the final installment shall be payable upon presentation and surrender of the BAN at the office of the Authority's Financial Manager, who is hereby appointed Registrar. All interest and principal outstanding shall be due and payable on or before final maturity date of twelve (12) months from the closing date of the BAN. In the event of a default as that term is defined in the [describe loan agreement] this BAN shall bear interest from the date of such default at the fixed rate set herein plus 3% per year.

6. On issuing and selling the BAN to the Bank, the Authority will pay the Bank's commitment fee in the amount of \$1,200. The Authority agrees to pay the reasonable fees and expenses of attorneys hired by the Bank to represent it in purchasing the BAN.

7. The Authority hereby pledges its water and sewer revenues on a parity basis with its other debt obligations (the "Existing Parity Bonds") to the repayment of the BAN. The Authority also pledges all proceeds to be received from the issuance of the Bond to the repayment of all amounts due and payable pursuant to this BAN.

8. The BAN shall be registered in the name of the Bank and shall be in either of the following forms or any combination thereof:

(form of BAN)

No. R-1

\$1,200,000

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

BEDFORD REGIONAL WATER AUTHORITY

TAXABLE WATER AND SEWER REVENUE BOND ANTICIPATION NOTE,

Series 2014

The Bedford Regional Water Authority, a body politic and corporate of the Commonwealth of Virginia (the "Authority"), for value received, hereby acknowledges itself indebted and promises

to pay to Wells Fargo Bank, N. A. (the "Bank"), or registered assigns, solely from the revenues and other property pledged to the payment of this BAN, to the registered owner of this BAN or legal representative, the principal amount advanced hereunder up to the maximum principal amount stated above, together with interest thereon at the annual rate stated below and to pay the registered owner hereof interest on the unpaid principal from the date hereof until payment of the entire principal sum at an annual fixed rate of ____%. Interest on the BAN shall be due and payable semi-annually on the first day of each September and March beginning September 1, 2014, until the BAN is paid in full. The principal of the BAN shall be due and payable on the earlier of (a) issuance and sale of the Authority's up to \$34,000,000 Water and Sewer Revenue Bond (the "Bond") or (b) final maturity date of twelve (12) months from the closing date of the BAN. Interest shall be payable in lawful money to the Bank by check or draft, mailed to the registered owner at its address as it appears on the registration book kept for that purpose at the office of the Financial Manager of the Authority, who has been appointed Registrar. The final installment of principal and interest shall be payable upon presentation and surrender hereof at the office of the Registrar.

This BAN has been authorized by a Resolution (the "Resolution") duly adopted by the Authority on March 18, 2014 and is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia to provide funds, together with other available funds, to pay the cost of acquiring and constructing the Project (as defined in the Resolution). This BAN has been issued pursuant to Chapter 51 of Title 15.2 of the Code of Virginia, 1950, as amended, the Virginia Water and Waste Authorities Act §§ 15.2-5100-15.2-5158 (the "Act").

This BAN is a limited obligation of the Authority and, except to the extent payable from the proceeds of the sale of the BAN or the income, if any, derived from the investment thereof, is payable exclusively from the revenues derived by the Authority from the ownership and operation of its water and sewer systems (the "Revenues"). This BAN is secured on parity with the Authority's other outstanding debt obligations with respect to the pledge of Revenues. All proceeds associated with the issuance of the Authority's up to \$34,000,000 Water and Sewer Revenue Bond (the "Bond") to be issued pursuant to a commitment (the "Take-Out Commitment") from the Commonwealth of Virginia Resources Authority or another financial institution are hereby pledged toward the payment of all amounts due with respect to this BAN.

NEITHER THE COMMONWEALTH OF VIRGINIA NOR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, THE COUNTY OF BEDFORD AND THE TOWN OF BEDFORD SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS BAN OR THE OTHER COSTS INCIDENT TO IT 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, THE COUNTY OF BEDFORD AND THE TOWN OF BEDFORD, VIRGINIA, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BAN OR OTHER COSTS INCIDENT TO IT. THE ISSUANCE OF THIS BAN DOES NOT DIRECTLY, INDIRECTLY OR CONTINGENTLY OBLIGATE THE COMMONWEALTH OF VIRGINIA OR ANY OF ITS POLITICAL SUBDIVISIONS, INCLUDING THE AUTHORITY, THE COUNTY OF

BEDFORD AND THE TOWN OF BEDFORD, VIRGINIA, VIRGINIA, TO LEVY ANY TAXES FOR THE PAYMENT OF THIS BAN.

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

Principal outstanding under this BAN may not be prepaid.

A default under any of the Authority's other debt obligations shall constitute a default under this BAN and all principal and accrued interest shall, at the Bank's option, become immediately due and payable.

All acts, condition 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 the BAN have happened, exist and have been performed.

IN WITNESS WHEREOF, the Authority has caused this BAN to be signed by the Chairman or Vice Chairman of the Authority, its seal to be affixed hereto and attested by the Secretary of the Authority and this BAN to be dated _____, 2014.

BEDFORD REGIONAL WATER AUTHORITY

By: _____
Elmer C. Hodge, Chairman

(SEAL)

ATTEST:

Brian M. Key, Secretary/Treasurer

TRANSFER OF BAN

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

Date of
Registration

Name of
Registered Owner

Signature
of Registrar

SCHEDULE OF PRINCIPAL ADVANCES

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

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

(End of form of BAN)

(Form of Note Alternative to BAN)

PROMISSORY NOTE

\$1,200,000 _____

April __, 2014

Bedford Regional Water Authority

1723 Falling Creek Road

Bedford, Virginia 24523

(Hereinafter referred to as "Borrower")

Wells Fargo Bank, N.A.
Roanoke, Virginia 24019
(Hereinafter referred to as "Bank")

IMPORTANT NOTICE

THIS NOTE CONTAINS A CONFESSION OF JUDGMENT PROVISION WHICH CONSTITUTES A WAIVER OF IMPORTANT RIGHTS YOU MAY HAVE AS A BORROWER AND ALLOWS BANK TO OBTAIN A JUDGMENT AGAINST YOU WITHOUT FURTHER NOTICE.

Borrower promises to pay to the order of Bank, in lawful money of the United States of America by mailing to the address specified hereinafter or wherever else Bank may specify, the sum of One Million Two Hundred Thousand and No/100 Dollars (\$1,200,000.00) or such sum as may be advanced and outstanding from time to time, with interest on the unpaid principal balance at the rate and on the terms provided in this Promissory Note (including all renewals, extensions or modifications hereof, this "Note").

This Note has been authorized by a Resolution (the "Resolution") duly adopted by the Authority on March 18, 2014 and is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia to provide funds, together with other available funds, to pay the cost of acquiring and constructing the Project (as defined in the Resolution). This Note has been issued pursuant to Chapter 51 of Title 15.2 of the Code of Virginia, 1950, as amended, the Virginia Water and Waste Authorities Act §§ 15.2-5100-15.2-5158 (the "Act").

LINE OF CREDIT. Borrower may borrow, repay and reborrow, and, upon the request of Borrower, Bank shall advance and readvance under this Note from time to time until the maturity hereof (each an "Advance" and together the "Advances"), so long as the total principal balance outstanding under this Note at any one time does not exceed the principal amount stated on the face of this Note, subject to the limitations described in any loan agreement to which this Note is subject. Bank's obligation to make Advances under this Note shall terminate if Borrower is in Default. As of the date of each proposed Advance, Borrower shall be deemed to represent that each representation made in the Loan Documents is true as of such date.

If Borrower subscribes to Bank's cash management services and such services are applicable to this line of credit, the terms of such service shall control the manner in which funds are transferred between the applicable demand deposit account and the line of credit for credit or debit to the line of credit.

USE OF PROCEEDS. Borrower shall use the proceeds of the loan(s) evidenced by this Note for the commercial purposes of Borrower, as follows: to provide interim financing for design and engineering work for the Authority's planned Smith Mountain Lake water treatment plant and intake facility, in anticipation of the closing of long-term financing to be provided by the Virginia Resources Authority or other financial institution (the "Project")

INTEREST RATE. Interest shall accrue on the unpaid principal balance of this Note from the date hereof at the at an annual rate fixed rate not to exceed 3% to be established with reference to the one month London InterBank Offered Rate established by the British Bankers Association as of the _____ [time period] prior to issuance. Interest on the Note shall be due and payable

semi-annually on the first day of each September and March, beginning September 1, 2014, until the Note is paid in full ("Interest Rate"). "Bank's Prime Rate" means that rate announced by Bank from time to time as its prime rate and is one of several interest rate bases used by Bank. Bank lends at rates both above and below Bank's Prime Rate, and Borrower acknowledges that Bank's Prime Rate is not represented or intended to be the lowest or most favorable rate of interest offered by Bank.

DEFAULT RATE. In addition to all other rights contained in this Note, if a Default (as defined herein) occurs and as long as a Default continues, all outstanding Obligations, other than Obligations under any swap agreements (as defined in 11 U.S.C. § 101, as in effect from time to time) between Borrower and Bank or its affiliates, shall bear interest at the Interest Rate plus 3% ("Default Rate"). The Default Rate shall also apply from acceleration until the Obligations or any judgment thereon is paid in full.

INTEREST AND FEE(S) COMPUTATION (ACTUAL/360). Interest and fees, if any, shall be computed on the basis of a 360-day year for the actual number of days in the applicable period ("Actual/360 Computation"). The Actual/360 Computation determines the annual effective interest yield by taking the stated (nominal) rate for a year's period and then dividing said rate by 360 to determine the daily periodic rate to be applied for each day in the applicable period. Application of the Actual/360 Computation produces an annualized effective rate exceeding the nominal rate.

REPAYMENT TERMS. This Note shall be due and payable in full, including all principal and accrued interest, on the earlier of the date of issuance of the Bond or December 31, 2014.

The principal of the Note shall be due and payable on the earlier of (a) issuance and sale of the Authority's up to \$34,000,000 Water and Sewer Revenue Bond (the "Bond") or (b) final maturity date of twelve (12) months from the closing date of the Note.

APPLICATION OF PAYMENTS. Monies received by Bank from any source for application toward payment of the Obligations shall be applied to accrued interest and then to principal. If a Default occurs, monies may be applied to the Obligations in any manner or order deemed appropriate by Bank.

If any payment received by Bank under this Note or other Loan Documents is rescinded, avoided or for any reason returned by Bank because of any adverse claim or threatened action, the returned payment shall remain payable as an obligation of all persons liable under this Note or other Loan Documents as though such payment had not been made.

DEFINITIONS. Loan Documents. The term "Loan Documents", as used in this Note and the other Loan Documents, refers to all documents executed in connection with or related to the loan evidenced by this Note and any prior notes which evidence all or any portion of the loan evidenced by this Note, and any letters of credit issued pursuant to any loan agreement to which this Note is subject, any applications for such letters of credit and any other documents executed in connection therewith or related thereto, and may include, without limitation, a commitment letter that survives closing, a loan agreement, this Note, guaranty agreements, security agreements, security instruments, financing statements, mortgage instruments, any renewals or modifications, whenever any of the foregoing are executed, but does not include swap

agreements (as defined in 11 U.S.C. § 101, as in effect from time to time). **Obligations.** The term “Obligations”, as used in this Note and the other Loan Documents, refers to any and all indebtedness and other obligations under this Note, all other obligations under any other Loan Document(s), and all obligations under any swap agreements (as defined in 11 U.S.C. § 101, as in effect from time to time) between Borrower and Bank, or its affiliates, whenever executed. **Certain Other Terms.** All terms that are used but not otherwise defined in any of the Loan Documents shall have the definitions provided in the Uniform Commercial Code.

LATE CHARGE. If any payments are not timely made, Borrower shall also pay to Bank a late charge equal to 5% of each payment past due for 8 or more days. This late charge shall not apply to payments due at maturity or by acceleration hereof.

Acceptance by Bank of any late payment without an accompanying late charge shall not be deemed a waiver of Bank's right to collect such late charge or to collect a late charge for any subsequent late payment received.

ATTORNEYS' FEES AND OTHER COLLECTION COSTS. Borrower shall pay all of Bank's reasonable expenses actually incurred to enforce or collect any of the Obligations including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the commencement of a suit, in any trial, arbitration, or administrative proceeding, or in any appellate or bankruptcy proceeding.

USURY. If at any time the effective interest rate under this Note would, but for this paragraph, exceed the maximum lawful rate, the effective interest rate under this Note shall be the maximum lawful rate, and any amount received by Bank in excess of such rate shall be applied to principal and then to fees and expenses, or, if no such amounts are owing, returned to Borrower.

DEFAULT. If any of the following occurs, a default (“Default”) under this Note shall exist: **Nonpayment; Nonperformance.** The failure of timely payment or performance of the Obligations or Default under this Note or any other Loan Documents. **False Warranty.** A warranty or representation made or deemed made in the Loan Documents or furnished Bank in connection with the loan evidenced by this Note proves materially false, or if of a continuing nature, becomes materially false. **Cross Default.** At Bank's option, any default in payment or performance of any obligation under any other loans, contracts or agreements of Borrower, any Subsidiary or Affiliate of Borrower, any general partner of or the holder(s) of the majority ownership interests of Borrower with Bank or its affiliates (“Affiliate” shall have the meaning as defined in 11 U.S.C. § 101, as in effect from time to time, except that the term “Borrower” shall be substituted for the term “Debtor” therein; “Subsidiary” shall mean any business in which Borrower holds, directly or indirectly, a controlling interest). **Cessation; Bankruptcy.** The death of, appointment of a guardian for, dissolution of, termination of existence of, loss of good standing status by, appointment of a receiver for, assignment for the benefit of creditors of, or commencement of any bankruptcy or insolvency proceeding by or against Borrower, its Subsidiaries or Affiliates, if any, or any general partner of or the holder(s) of the majority ownership interests of Borrower, or any party to the Loan Documents. **Material Capital Structure or Business Alteration.** Without prior written consent of Bank, (i) a material alteration in the kind or type of Borrower's business or that of Borrower's Subsidiaries or Affiliates, if any; (ii) the sale of substantially all of the business or assets of Borrower, any of Borrower's Subsidiaries or Affiliates or any guarantor, or a material portion (10%

or more) of such business or assets if such a sale is outside the ordinary course of business of Borrower, or any of Borrower's Subsidiaries or Affiliates or any guarantor, or more than 50% of the outstanding stock or voting power of or in any such entity in a single transaction or a series of transactions; (iii) the acquisition of substantially all of the business or assets or more than 50% of the outstanding stock or voting power of any other entity; or (iv) should any Borrower or any of Borrower's Subsidiaries or Affiliates or any guarantor enter into any merger or consolidation. **Material Adverse Change.** Bank determines in good faith, in its sole discretion, that the prospects for payment or performance of the Obligations are impaired or there has occurred a material adverse change in the business or prospects of Borrower, financial or otherwise.

REMEDIES UPON DEFAULT. If a Default occurs under this Note or any Loan Documents, Bank may at any time thereafter, take the following actions: **Bank Lien.** Foreclose its security interest or lien against Borrower's deposit accounts and investment property without notice. **Acceleration Upon Default.** Accelerate the maturity of this Note and, at Bank's option, any or all other Obligations, other than Obligations under any swap agreements (as defined in 11 U.S.C. § 101, as in effect from time to time) between Borrower and Bank, or its affiliates, which shall be due in accordance with and governed by the provisions of said swap agreements; whereupon this Note and the accelerated Obligations shall be immediately due and payable; provided, however, if the Default is based upon a bankruptcy or insolvency proceeding commenced by or against Borrower or any guarantor or endorser of this Note, all Obligations (other than Obligations under any swap agreement as referenced above) shall automatically and immediately be due and payable. **Cumulative.** Exercise any rights and remedies as provided under the Note and other Loan Documents, or as provided by law or equity.

ANNUAL FINANCIAL STATEMENTS. Borrower shall deliver to Bank, within 180 days after the close of each fiscal year, audited financial statements reflecting its operations during such fiscal year, including, without limitation, a balance sheet, profit and loss statement and statement of cash flows, with supporting schedules and in reasonable detail, prepared in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year. If audited statements are required, all such statements shall be examined by an independent certified public accountant acceptable to Bank. The opinion of such independent certified public accountant shall not be acceptable to Bank if qualified due to any limitations in scope imposed by Borrower or any other person or entity. Any other qualification of the opinion by the accountant shall render the acceptability of the financial statements subject to Bank's approval.

FINANCIAL AND OTHER INFORMATION. Borrower shall deliver to Bank such information as Bank may reasonably request from time to time, including without limitation, financial statements and information pertaining to Borrower's financial condition. Such information shall be true, complete, and accurate.

CONFESSION OF JUDGMENT. Each Borrower hereby constitutes and appoints John G. Fox, Thomas G. Cooper, Sr. (each of whom is an officer of Bank), and Bank through an officer duly authorized by Bank (any of the foregoing may act), as the true and lawful attorneys-in-fact for them, in any or all of their names, place and stead, and upon the occurrence of a Default in the payment of the Obligations due under this Note, at maturity, or upon acceleration, to confess judgment against them or any of them, in favor of Bank, before the Clerk of the Circuit Court for City of Richmond, Virginia, in accordance with 1950 Code of Virginia, Section 8.01-431 et seq., and any successor statute, for all amounts owed with respect to the Obligations under and

pursuant to this Note Including, without limitation, all costs of collection and attorneys' fees in an amount equal to 15% of the Obligations then outstanding (which shall be deemed reasonable attorneys' fees for the purposes of this paragraph), and court costs, hereby ratifying and confirming the acts of said attorney-in-fact as if done by themselves. Upon request of Bank, each Borrower will execute an amendment or other agreement substituting attorneys-in-fact appointed to act for each Borrower hereunder.

WAIVERS AND AMENDMENTS. No waivers, amendments or modifications of this Note and other Loan Documents shall be valid unless in writing and signed by an officer of Bank. No waiver by Bank of any Default shall operate as a waiver of any other Default or the same Default on a future occasion. Neither the failure nor any delay on the part of Bank in exercising any right, power, or remedy under this Note and other Loan Documents shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

Except to the extent otherwise provided by the Loan Documents or prohibited by law, each Borrower and each other person liable under this Note waives presentment, protest, notice of dishonor, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale and all other notices of any kind. Further, each agrees that Bank may (i) extend, modify or renew this Note or make a novation of the loan evidenced by this Note, and/or (ii) grant releases, compromises or indulgences with respect to any collateral securing this Note, or with respect to any Borrower or other person liable under this Note or any other Loan Documents, all without notice to or consent of each Borrower and other such person, and without affecting the liability of each Borrower and other such person; provided, Bank may not extend, modify or renew this Note or make a novation of the loan evidenced by this Note without the consent of the Borrower, or if there is more than one Borrower, without the consent of at least one Borrower; and further provided, if there is more than one Borrower, Bank may not enter into a modification of this Note which increases the burdens of a Borrower without the consent of that Borrower.

MISCELLANEOUS PROVISIONS. Assignment. This Note and the other Loan Documents shall inure to the benefit of and be binding upon the parties and their respective heirs, legal representatives, successors and assigns. Bank's interests in and rights under this Note and the other Loan Documents are freely assignable, in whole or in part, by Bank. In addition, nothing in this Note or any of the other Loan Documents shall prohibit Bank from pledging or assigning this Note or any of the other Loan Documents or any interest therein to any Federal Reserve Bank. Borrower shall not assign its rights and interest hereunder without the prior written consent of Bank, and any attempt by Borrower to assign without Bank's prior written consent is null and void. Any assignment shall not release Borrower from the Obligations. **Applicable Law; Conflict Between Documents.** This Note and, unless otherwise provided in any other Loan Document, the other Loan Documents shall be governed by and interpreted in accordance with federal law and, except as preempted by federal law, the laws of the state named in Bank's address on the first page hereof without regard to that state's conflict of laws principles. If the terms of this Note should conflict with the terms of any loan agreement or any commitment letter that survives closing, the terms of this Note shall control. ~~**Borrower's Accounts.** Except as prohibited~~ by law, Borrower grants Bank a security interest in all of Borrower's deposit accounts and investment property with Bank and any of its affiliates. **Swap Agreements.** All swap

agreements (as defined in 11 U.S.C. § 101, as in effect from time to time), if any, between Borrower and Bank or its affiliates are independent agreements governed by the written provisions of said swap agreements, which will remain in full force and effect, unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms of this Note, except as otherwise expressly provided in said written swap agreements, and any payoff statement from Bank relating to this Note shall not apply to said swap agreements except as otherwise expressly provided in such payoff statement. **Jurisdiction.** Borrower irrevocably agrees to non-exclusive personal jurisdiction in the state named in the Bank's address on the first page hereof. **Severability.** If any provision of this Note or of the other Loan Documents shall be prohibited or invalid under applicable law, such provision shall be ineffective but only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note or other such document. **Payments.** All payments shall be mailed to Bank at Commercial Loan Services, P. O. Box 740502, Atlanta, GA 30374-0502; or other such address as provided by Bank in writing. **Notices.** Any notices to Borrower shall be sufficiently given, if in writing and mailed or delivered to the Borrower's address shown above or such other address as provided hereunder, and to Bank, if in writing and mailed or delivered to Wells Fargo Bank, N.A., Mail Code VA7628 / R4057-01Z, P. O. Box 13327, Roanoke, VA 24040 or Wells Fargo Bank, N.A., Mail Code VA7628 / R4057-01Z, 7711 Plantation Road, Roanoke, VA 24019 or such other address as Bank may specify in writing from time to time. Notices to Bank must include the mail code. In the event that Borrower changes Borrower's address at any time prior to the date the Obligations are paid in full, Borrower agrees to promptly give written notice of said change of address by registered or certified mail, return receipt requested, all charges prepaid. **Plural; Captions.** All references in the **Loan Documents** to Borrower, guarantor, person, document or other nouns of reference mean both the singular and plural form, as the case may be, and the term "person" shall mean any individual, person or entity. The captions contained in the Loan Documents are inserted for convenience only and shall not affect the meaning or interpretation of the Loan Documents. **Advances.** Bank may, in its sole discretion, make other advances which shall be deemed to be advances under this Note, even though the stated principal amount of this Note may be exceeded as a result thereof. **Posting of Payments.** All payments received during normal banking hours after 2:00 p.m. local time at the address for payments set forth above shall be deemed received at the opening of the next banking day. **Joint and Several Obligations.** If there is more than one Borrower, each is jointly and severally obligated together with all other parties obligated for the Obligations. **Fees and Taxes.** Borrower shall promptly pay all documentary, intangible recordation and/or similar taxes on this transaction whether assessed at closing or arising from time to time. **LIMITATION ON LIABILITY; WAIVER OF PUNITIVE DAMAGES.** EACH OF THE PARTIES HERETO, INCLUDING BANK BY ACCEPTANCE HEREOF, AGREES THAT IN ANY JUDICIAL, MEDIATION OR ARBITRATION PROCEEDING OR ANY CLAIM OR CONTROVERSY BETWEEN OR AMONG THEM THAT MAY ARISE OUT OF OR BE IN ANY WAY CONNECTED WITH THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY OTHER AGREEMENT OR DOCUMENT BETWEEN OR AMONG THEM OR THE OBLIGATIONS EVIDENCED HEREBY OR RELATED HERETO, IN NO EVENT SHALL ANY PARTY HAVE A REMEDY OF, OR BE LIABLE TO THE OTHER FOR, (1) INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR (2) PUNITIVE OR EXEMPLARY DAMAGES. EACH OF THE PARTIES HEREBY EXPRESSLY WAIVES ANY RIGHT OR CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES THEY MAY HAVE OR WHICH MAY ARISE IN THE

FUTURE IN CONNECTION WITH ANY SUCH PROCEEDING, CLAIM OR CONTROVERSY, WHETHER THE SAME IS RESOLVED BY ARBITRATION, MEDIATION, JUDICIALLY OR OTHERWISE. Patriot Act Notice. To help fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For purposes of this section, account shall be understood to include loan accounts. **Telephone Communication Monitoring.** Borrower agrees that Borrower's telephone communications with Bank may be monitored and/or recorded to improve customer service and security. **Final Agreement.** This Note and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent agreements of the parties. There are no unwritten agreements between the parties.

WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF BORROWER BY EXECUTION HEREOF AND BANK BY ACCEPTANCE HEREOF, KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT EACH MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, THE LOAN DOCUMENTS OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONNECTION WITH THIS NOTE, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY WITH RESPECT HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT TO BANK TO ACCEPT THIS NOTE. EACH OF THE PARTIES AGREES THAT THE TERMS HEREOF SHALL SUPERSEDE AND REPLACE ANY PRIOR AGREEMENT RELATED TO ARBITRATION OF DISPUTES BETWEEN THE PARTIES CONTAINED IN ANY LOAN DOCUMENT OR ANY OTHER DOCUMENT OR AGREEMENT HERETOFORE EXECUTED IN CONNECTION WITH, RELATED TO OR BEING REPLACED, SUPPLEMENTED, EXTENDED OR MODIFIED BY, THIS NOTE.

IN WITNESS WHEREOF, Borrower, on the day and year first above written, has caused this Note to be duly executed under seal.

Bedford Regional Water Authority

By: _____ (SEAL)
Elmer C. Hodge, Chairman

(End of Form of Note Alternative to BAN)

9. Installments of principal due on the BAN may not be prepaid. If, pursuant to any other resolution or agreement of the Authority, the Bank has the right to declare the outstanding principal amount of the BAN and any accrued interest thereon to be immediately due and payable, then, upon any such declaration, the Authority shall promptly prepay the entire outstanding principal amount of the BAN, together with all interest accrued thereon.

10. The BAN shall be signed by the Chairman or Vice Chairman of the Board of Directors of the Bedford Regional Water Authority, and the Authority seal shall be affixed thereto and attested by the Secretary of the Authority. The BAN shall be in substantially the form contained herein.

11. The Authority shall provide the Bank with such of its financial and accounting information and data as the Bank shall reasonably request from time to time and as are specified in the [describe loan agreement].

12. The Executive Director and officers of the Authority are authorized and directed to file a certified copy of this Resolution with the Circuit Court of Bedford County, Virginia, pursuant to § 15.2-5126 of the Code of Virginia, as amended, and to initiate a validation proceeding under Article 6 of Chapter 26 of Title 15.2 of the Code to establish the validity of the BAN, the legality of all proceedings taken in connection with the authorization or issuance of the BAN, the validity of the tax or other means provided for the payment of the BAN, and the validity of all pledges of revenues and of all covenants and provisions which constitute a part of the contract between the Authority and the Bank.

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

14. The Authority covenants that it shall not permit the proceeds of the BAN or the facilities financed with the proceeds of the BAN to be used in any manner that would result in (a) 5% or more of such proceeds or the facilities financed with such proceeds being used in a trade or business carried on by any person other than a governmental unit, as provided in Section 141(b) of the Code, (b) 5% or more of such proceeds or the facilities financed with such proceeds being used with respect to any output facility (other than a facility for the furnishing of water), within the meaning of Section 141(b)(4) of the Code, or (c) 5% or more of such proceeds being used directly or indirectly to make or finance loans to any persons other than a governmental unit, as provided in Section 141(c) of the Code; provided, however, that if the Authority receives an opinion of nationally recognized counsel that any such covenants need not be complied with to prevent the interest on the BAN from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the Authority need not comply with such covenants to the extent provided in such opinion.

15. To the extent the Authority intends to satisfy the requirements set forth in Section 265(b)(3) of the Code, and if requested by the Bank, the Executive Director of the

Authority is hereby authorized to designate the BAN for purposes of such Section.

16. The Authority intends that the adoption of this Resolution confirms the “official intent” within the meaning of Treasury regulations section 1.150-2 promulgated under the Code.

17. All other actions of Authority officials in conformity with the purposes and intent of this BAN Resolution and in furtherance of the issuance and sale of the BAN are ratified, approved and confirmed. The Authority officials are authorized and directed to execute and deliver all certificates and other instruments considered necessary or desirable in connection with the issuance, sale and delivery of the BAN pursuant to this Resolution.


18. This Resolution shall take effect immediately.

Directors absent	<u>1</u>
Votes For	<u>6</u>
Votes Against	<u>0</u>
Abstentions	<u>0</u>

CERTIFICATION

The undersigned secretary of the Bedford Regional Water Authority does hereby certify that the foregoing is a true, complete and correct Resolution adopted by a vote of a majority of the Directors of the Bedford Regional Water Authority, present at a regular meeting of the Board of Directors of the Bedford Regional Water Authority duly called and held March 18, 2014 at which a quorum was present and acting throughout, and that the same has not been amended or rescinded and is in full force and effect as of the date of this certification, March 18, 2014.

(SEAL)


Brian M. Key, Secretary/Treasurer,
Bedford Regional Water Authority