

A regular meeting of the Council of the City of Bedford, Virginia, was held in the Council Hall of the Municipal Building at 7:30 p.m., April 23, 2002.

Members present: Mayor G. Michael Shelton; Councilman Larry D. Brookshier; Councilwoman Mary L. Flood; Vice Mayor E. Thomas Messier; Councilman Thomas M. Padgett; Councilman Robert T. Wandrei; and Councilman W. D. Tharp.

Members absent: None

Staff present: City Manager F. Craig Meadows; City Attorney W. W. Berry, IV; and Clerk of the Council Teresa W. Hatcher.

Mayor Shelton opened the meeting and led all present in saying the Pledge of Allegiance to the Flag.

Mayor Shelton declared that the minutes of the April 9, 2002, regular Council meeting were approved as distributed.

The City Manager reported on the following items:

- Public meeting on the Comprehensive Plan was held on April 22; the next meeting will be April 24 at 6:30 p.m. at the Bedford Middle School
- Upcoming events: What's Next Day, April 27 at Liberty High School; presentation of the proposed FY 2002-03 budget, April 30; Southeast Rural Community Assistance Project, Inc., open house, May 8, from 10 a.m. to 2:00 p.m. at the Roanoke Higher Education Center; American Cancer Society Relay for Life, May 10 and May 11; work session on the proposed FY 2002-03 budget, May 10 at 8:30 a.m. at the Bedford Public Library Community Room; rededication of the Bedford County Courthouse, May 18 at 1:00 p.m.
- Proclamations issued: Business Appreciation Week 2002, May 12 through May 18; and Virginia Tourism Week 2002, May 4 through May 12.

Mayor Shelton asked members of Council to complete the evaluation forms for the City Manager and City Attorney.

The Clerk of Council read aloud the following Public Hearing Notice:

NOTICE OF PUBLIC HEARING

On Tuesday, the 23rd day of April, 2002, the Council of the City of Bedford, Virginia, will conduct a public hearing on the proposed issuance of general obligation water and sewer bonds of the City in the estimated

maximum principal amount of \$2,700,000. The purpose of the proposed bonds is to finance capital projects to the City's water and wastewater system, including, without limitation, water and sewer line extensions into the Joint Economic Development and Growth Sharing area at the eastern City limits along U.S. Route 460 to the Virginia Department of Transportation office.

The public hearing will be conducted at 7:30 p.m. in City Council Chambers, Municipal Building, 215 East Main Street, Bedford, Virginia. Interested persons may appear at such time and place and present their views.

Teresa Hatcher

Clerk of the Council

City of Bedford, Virginia

Mayor Shelton opened the Public Hearing at 7:40 p.m.

As there were no comments, the Mayor closed the Public Hearing at 7:41 p.m.

The Consent Agenda consisted of the following item: Appointment of Mr. D. Keith Cook as Council representative to the Central Virginia Area Agency on Aging Board of Directors, said term to expire June 30, 2005.

On motion by Councilman Tharp, seconded by Councilman Padgett, voted upon and carried unanimously, the Consent Agenda was adopted.

City Manager Meadows stated it is determined to be necessary to finance the construction of capital improvements to the City's water and wastewater system and to borrow money in the maximum principal amount of \$2,700,000 as general obligation water and sewer bonds. The bonds shall be general obligations of the City for the payment of principal and interest as well as pledging net revenues from the water and wastewater systems.

On motion by Councilman Padgett, seconded by Councilman Tharp, voted upon and carried by a roll call vote, Council adopted the resolution regarding general obligation water and sewer bonds, Series of 2002B. Roll call vote follows:

Councilman Brookshier	aye
Councilwoman Flood	aye
Vice Mayor Messier	aye

Councilman Padgett	aye
Councilman Tharp	aye
Councilman Wandrei	aye
Mayor Shelton	aye

The Resolution providing for the issuance, sale and award of general obligation water and sewer bonds, Series of 2002B, follows this set of minutes.

On motion by Vice Mayor Messier, seconded by Councilwoman Flood, voted upon and carried unanimously, Council waived the reading of the ordinance regarding General Obligation Water and Sewer Bonds.

On motion by Councilman Tharp, seconded by Councilwoman Flood, voted upon and carried unanimously by a roll call vote, Council adopted the following ordinance regarding General Obligation Water and Sewer Bonds for the 460 East Join Economic Development Area. Roll call vote follows:

Councilwoman Flood	aye
Vice Mayor Messier	aye
Councilman Padgett	aye
Councilman Tharp	aye
Councilman Wandrei	aye
Councilman Brookshier	aye
Mayor Shelton	aye

The ordinance follows as adopted:

**ORDINANCE AUTHORIZING THE ISSUANCE OF GENERAL
OBLIGATION WATER AND SEWER BONDS OF THE CITY OF
BEDFORD, VIRGINIA, IN A PRINCIPAL AMOUNT NOT TO
EXCEED \$2,700,000**

**BE IT ORDAINED BY THE COUNCIL OF THE CITY OF
BEDFORD, VIRGINIA:**

1. It is determined to be necessary and expedient for the City of Bedford, Virginia (the "City"), to finance the construction of certain capital improvements to the City's water and wastewater system, including, without limitation, water and sewer line extensions into the Joint Economic Development and Growth Sharing area at the eastern City limits along U.S. Route 460 to the Virginia Department of Transportation office (the "Project"), and to borrow money for such purpose and issue the City's general obligation water and sewer bonds therefor.

2. Pursuant to the Public Finance Act of 1991 and the City Charter, there are authorized to be issued general obligation water and sewer bonds of the City in a principal amount not to exceed \$2,700,000 to provide funds, together with other available funds, to finance the Project.

3. The bonds shall bear such date or dates, mature at such time or times not exceeding 40 years from their date or dates, bear interest at such rate or rates, be in such denominations and form, be executed in such manner and be sold at such time or times and in such manner as the Council of the City may hereafter provide by appropriate resolution or resolutions.

4. The bonds shall be general obligations of the City for the payment of principal of and premium, if any, and interest on which its full faith and credit shall be irrevocably pledged. In addition, the net revenues of the City's water and wastewater systems may be pledged for such payment.

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

6. This ordinance shall take effect immediately.

The City Manager stated a letter has been received from Christmas in April of Bedford, Inc., requesting that Council authorize the waiving of building permit fees in connection with the group's scheduled projects within the City, as well as any landfill tipping fees that may be applicable. The projects will include repairs on five houses. The estimated cost for the permit fees and landfill tipping fees is approximately \$70.00. The staff recommends the waiving of the fees; however, permits should be required for both zoning and building code purposes.

On motion by Vice Mayor Messier, seconded by Councilman Tharp, voted upon and carried unanimously, Council waived the building permit fees and landfill tipping fees for projects to be undertaken by Christmas in April of Bedford, Inc., within the City.

City Manager Meadows stated the City is one of ten municipalities enrolled in the Environmental Management System (EMS) program conducted by Virginia Tech. The City's participation in this program signifies that the City is committed to achieving the

highest level of environmental protection possible with regard to the operations of the City facilities. Mr. Meadows reported that the City has a team of employees in the process of developing operating policies for City departments to insure that environmental protection practices are in place. The first step in the process is the development of a Citywide Environmental Policy, which signifies that the City supports a commitment to being good environmental stewards.

Clarke Gibson, Director of Public Works, explained that the Environmental Management System (EMS) program is a method of identifying potential environmental hazards, developing policies and procedures, how to work with those environmental hazards, and how to create and develop operational procedures in order to reduce their impact on the environment. Mr. Gibson reviewed the draft Environmental Policy.

On motion by Vice Mayor Messier, seconded by Councilman Brookshier, voted upon and carried unanimously, Council endorsed the following City of Bedford Environmental Policy:

City of Bedford Environmental Policy

The City of Bedford recognizes and understands the importance of being good environmental stewards and commits to the protection of human health and the environment in an effort to enhance the City's mission statement "to be the best place to live, work, and play."

To demonstrate this commitment, the City of Bedford will:

1. Meet or exceed the requirements of all applicable federal, state, and local legislation, regulations, and codes.
2. Practice pollution prevention by: a) waste minimization and reduce the use of materials and supplies where practical and cost effective. b) Recycle waste when practical and c) re-use waste items when possible. The City will also practice pollution prevention by developing and maintaining procedures to effectively manage environmental emergencies.
3. Develop and implement an environmental management system, which will include environmental objectives and effective strategies and work practices to meet the objectives and targets.
4. Continually improve the environmental management system through monitoring, evaluation, and periodic review.
5. Educate and train our employees to improve environmental performance and to become increasingly aware of environmental issues.
6. Encourage the citizens and business community to be aware of and become actively involved in protecting the environment.

A healthy and sustainable environment is important to the City, our citizens, our economy, and future. The City of Bedford will strive to be a model of an "exemplary environmental enterprise."

Mayor Shelton adjourned the meeting at 7:50 p.m. until Tuesday, April 30, 2002, at 7:30 p.m.

The Resolution providing for the issuance, sale and award of general obligation water and sewer bonds, Series of 2002B, begins on the following page:

RESOLUTION PROVIDING FOR THE ISSUANCE, SALE AND AWARD OF A GENERAL OBLIGATION WATER AND SEWER BOND, SERIES OF 2002B, OF THE CITY OF BEDFORD, VIRGINIA, IN A PRINCIPAL AMOUNT NOT TO EXCEED \$2,700,000, HERETOFORE AUTHORIZED, AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF

WHEREAS, on April 23, 2002, the City Council (the "Council") of the City of Bedford, Virginia (the "City"), adopted an ordinance (the "Ordinance") authorizing the issuance of general obligation water and sewer bonds in the maximum principal amount of \$2,700,000 to finance capital projects to the City's water and wastewater system, including, without limitation, water and sewer line extensions into the Joint Economic Development and Growth Sharing area at the eastern City limits along U.S. Route 460 to the Virginia Department of Transportation office (the "Project");

WHEREAS, the City has determined to issue such general obligation water and sewer bonds to finance the Project; and

WHEREAS, the City has applied to the Virginia Resources Authority ("VRA") for the purchase of the City's general obligation water and sewer bonds in a principal amount not to exceed \$2,700,000, and VRA has indicated its willingness to purchase such bonds from the proceeds of its Infrastructure Revenue Bonds (Pooled Loan Bond Program), Series 2002A (the "VRA Bonds"), in accordance with the terms of a Financing Agreement to be dated as of a date specified by VRA, between VRA and the City (the "2002 Financing Agreement"), a Local Bond Sale Agreement to be dated the date of sale of the VRA Bonds, between VRA and the City (the "Local Bond Sale Agreement"), and a Nonarbitrage Certificate and Tax Compliance Agreement between VRA and the City (the "Tax Compliance Agreement"), the forms of which have been presented to this meeting;

**BE IT RESOLVED BY THE COUNCIL OF THE CITY OF BEDFORD,
VIRGINIA:**

1. Issuance of Bonds and Use of Proceeds. Pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, the Council hereby provides for the issuance and sale of general obligation water and sewer bonds of the City in a principal amount not to exceed \$2,700,000 to provide funds to finance the Project and to pay issuance and financing costs incurred in issuing such bonds.

2. Authorization of 2002 Financing Agreement. The form of the 2002 Financing Agreement submitted to this meeting is hereby approved. The City Manager is authorized to execute the 2002 Financing Agreement in substantially such form, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the City Manager, whose approval shall be evidenced conclusively by the execution and delivery thereof. The issuance and sale of the City's general obligation water and sewer bonds to VRA shall be upon the terms and conditions of the 2002 Financing Agreement. The proceeds of such bonds shall be applied in the manner set forth in the 2002 Financing Agreement. All capitalized terms used but not defined herein shall have the same meaning as set forth in the 2002 Financing Agreement.

3. Bond Details. The bonds shall be issued as a single, registered bond, shall be designated "General Obligation Water and Sewer Bond, Series of 2002B" (the "2002B Bond"), shall be numbered R-1, shall be dated the date of its delivery, shall be in a principal amount not to exceed \$2,700,000 and shall mature no later than December 31, 2018. The Council authorizes the issuance and sale of the 2002B Bond on terms as shall be satisfactory to the City Manager; provided, however, that the 2002B Bond shall have a "true" interest cost not to exceed 7.0% (exclusive of "supplemental interest" as provided in the 2002 Financing Agreement), shall be sold to VRA at a price not less than 94% of the aggregate principal amount of the 2002B Bond, and shall be subject to optional redemption upon the terms set forth in the 2002 Financing Agreement. Subject to the preceding terms, the Council further authorizes the City Manager to (a) determine the final principal amount of the 2002B Bond and (b) establish the amortization schedule (including the principal installment dates and amounts) for the 2002B Bond in such manner as the City Manager shall determine to be in the best interest of the City.

Following the pricing of the corresponding VRA Bonds, the City Manager shall evidence his approval of the final terms and purchase price of the 2002B Bond by executing and delivering to VRA the Local Bond Sale Agreement, which shall be in substantially the form presented to this meeting, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the City Manager. The actions of the City Manager in determining the final terms and the purchase price of the 2002B Bond shall be conclusive, and no further action shall be necessary on the part of the City.

As set forth in the 2002 Financing Agreement, the City agrees to pay such "supplemental interest" and other charges as provided therein, including such amounts as may be necessary to maintain or replenish the Capital Reserve Fund. The principal of and premium, if any, and interest on the 2002B Bond shall be payable in lawful money of the United States of America.

4. Payment and Redemption Provisions. The principal of and premium, if any, and interest on the 2002B Bond shall be payable as set forth in the 2002B Bond and the 2002 Financing Agreement. The City may, at its option, redeem, prepay or refund the 2002B Bond upon the terms set forth in the 2002 Financing Agreement.

5. Execution and Form of 2002B Bond. The 2002B Bond shall be signed by the Mayor or Vice Mayor and the City's seal shall be affixed thereon and attested by the Clerk or Deputy Clerk of Council. The 2002B Bond shall be issued as a typewritten bond in substantially the form of Exhibit A attached hereto, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Mayor or Vice Mayor, whose approval shall be evidenced conclusively by the execution and delivery of the 2002B Bond.

6. Pledge of Full Faith and Credit and Revenues. The full faith and credit of the City are hereby irrevocably pledged for the payment of principal of and premium, if any, and interest on the 2002B Bond. Unless other funds are lawfully available and appropriated for timely payment of the 2002B Bond, the Council shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the City sufficient to pay when due the principal of and premium, if any, and interest on the 2002B Bond. In addition, subject to the right of the City to apply Revenues to the payment of Operation and Maintenance Expense, the City irrevocably pledges the Revenues to the payment of principal of and premium, if any, and interest on the 2002B Bond. Such pledge of Revenues shall be on a parity with the pledge of Revenues securing the outstanding principal amounts of the City's Taxable Water and Sewer Revenue Bond, Series of 1991, its Taxable Water and Sewer Revenue Bond, Series of 1992, its Taxable General Obligation Water and Sewer Bond, Series of 1998, its General Obligation Water and Sewer Bond, Series of 2001A, and its General Obligation Water and Sewer Bond, Series of 2002A, when and if issued.

7. Preparation of Printed 2002B Bond. The City shall initially issue the 2002B Bond in typewritten form. Upon request of the registered owner and upon presentation of the 2002B Bond at the office of the Registrar (as hereinafter defined), the City shall arrange to have prepared, executed and delivered in exchange as soon as practicable the 2002B Bond in printed form in an aggregate principal amount equal to the unpaid principal of the 2002B Bond in typewritten form, in denominations of \$5,000 and multiples thereof, of the same form and maturity and registered in such names as requested by the registered owners or their duly authorized attorneys or legal representatives. The printed 2002B Bond may be executed by manual or facsimile signature of the Mayor, the City's seal affixed thereto and attested by the Clerk or Deputy Clerk of Council; provided,

however, that if both such signatures are facsimiles, no 2002B Bond shall be valid until it has been authenticated by the manual signature of the Registrar and the date of authentication noted thereon. The typewritten 2002B Bond surrendered in any such exchange shall be canceled.

8. Registration and Transfer of the 2002B Bond. The City appoints the City Treasurer as paying agent and registrar (the "Registrar") for the 2002B Bond. If deemed to be in its best interest, the City may at any time appoint a qualified bank or trust company as successor Registrar. Upon surrender of the 2002B Bond at the office of the Registrar, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the City shall execute, and the Registrar shall authenticate and deliver in exchange, a new 2002B Bond or 2002B Bonds having an equal aggregate principal amount, of the same form and maturity, bearing interest at the same rates and registered in such name as requested by the then registered owner or its duly authorized attorney or legal representative. Any such exchange shall be at the expense of the City, except that the Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Registrar shall treat the registered owner as the person or entity exclusively entitled to payment of principal, premium, if any, and interest, and the exercise of all other rights and powers of the owner, except that installments shall be paid to the person or entity shown as owner on the registration books on the 15th day of the month preceding each interest payment date.

9. Mutilated, Lost or Destroyed 2002B Bond. If the 2002B Bond has been mutilated, lost or destroyed, the City shall execute and deliver a new 2002B Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated 2002B Bond or in lieu of and in substitution for such lost or destroyed 2002B Bond; provided, however, that the City shall so execute and deliver only if the registered owner has paid the reasonable expenses and charges of the City in connection therewith and, in the case of a lost or destroyed 2002B Bond, (a) has filed with the City evidence satisfactory to the City that such 2002B Bond was lost or destroyed and (b) has furnished to the City satisfactory indemnity.

10. Preparation and Delivery of 2002B Bond. The Mayor or Vice Mayor and the Clerk of Council are authorized and directed to take all proper steps to have the 2002B Bond prepared and executed in accordance with its terms and to deliver it to VRA as the purchaser thereof upon receipt of the Purchase Price from VRA as set forth in the 2002 Financing Agreement and the Local Bond Sale Agreement.

11. Arbitrage Covenants. The City covenants that it shall not take or omit to take any action the taking or omission of which will cause the 2002B Bond 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 2002B Bond to be includable in the gross income of the registered owner

thereof under existing law. Without limiting the generality of the foregoing, the City shall comply with any provision of law that may require the City at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the 2002B Bond, unless the City receives an opinion of nationally recognized bond counsel that such compliance is not required to prevent interest on the 2002B Bond from being included in the gross income for federal income tax purposes of the registered owners thereof under existing law. The City shall pay any such required rebate from Revenues or other legally available funds.

12. Tax Compliance Agreement. Such officers of the City as may be requested are authorized and directed to execute and deliver the Tax Compliance Agreement, the form of which is hereby approved, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officers of the City executing such document, whose approval shall be evidenced conclusively by the execution and delivery thereof.

13. Limitation on Private Use. The City covenants that it shall not permit the proceeds of the 2002B Bond or the facilities financed with the proceeds of the 2002B Bond 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 City receives an opinion of nationally recognized bond counsel that any such covenants need not be complied with to prevent the interest on the 2002B Bond from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the City need not comply with such covenants.

14. Official Statement. The City authorizes and consents to the inclusion of information with respect to the City contained in VRA's Preliminary Official Statement and VRA's Official Statement in final form, both prepared in connection with the sale of the VRA Bonds.

15. SNAP Investment Authorization. The Council has heretofore received and reviewed the Information Statement (the "Information Statement") describing the State Non-Arbitrage Program of the Commonwealth of Virginia ("SNAP") and the Contract Creating the State Non-Arbitrage Program Pool I (the "Contract"), and the Council has determined to authorize the City Treasurer to utilize SNAP in connection with the investment of the proceeds of the Bonds, if the City Manager, in consultation with the City Treasurer, determine that the utilization of SNAP is in the best interest of the City. The Council acknowledges the Treasury Board of the Commonwealth of Virginia is not, and shall not be, in any way liable to the City in connection with SNAP, except as otherwise provided in the Contract.

16. Other Actions. All other actions of City officials in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the 2002B Bond are ratified, approved and confirmed. The City 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 2002B Bond pursuant to this Resolution, the 2002 Financing Agreement and the Local Bond Sale Agreement.

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

REGISTERED

R-1

REGISTERED

_____, 2002

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF BEDFORD

General Obligation Water and Sewer Bond

Series of 2002B

The **City of Bedford, Virginia** (the "City"), a political subdivision of the Commonwealth of Virginia, for value received, acknowledges itself in debt and promises to pay to **First Union National Bank**, or registered assigns or legal representative, as trustee (the "Trustee"), under a Master Indenture of Trust dated as of March 1, 2000, as previously supplemented, and as further supplemented by a Fifth Supplemental Indenture of Trust dated as of June 1, 2002 (collectively, the "Indenture"), with the Virginia Resources Authority ("VRA"), solely from the sources hereinafter described and pledged to the payment of this bond the principal sum of _____ DOLLARS (\$_____). Principal of this bond shall be payable in annual installments in the amounts and on the dates set forth in Schedule I attached hereto. Interest on this bond shall be payable on each April 1 and October 1, commencing October 1, 2002, computed on the basis of a 360-day year of twelve 30-day months at the rates set forth in Schedule I.

Subject to the provisions of the Financing Agreement dated as of June 1, 2002 (the "Financing Agreement"), between VRA and the City, so long as this bond is held by VRA or the Trustee, interest is payable by check or draft mailed to the registered owner of this bond at the address that appears on the 15th day of the month preceding each interest payment date on the registration books kept by City Treasurer, who has been appointed registrar and paying agent, or any successor bank or trust company (the "Registrar"). Principal of and premium, if any, and interest on this bond shall be payable in lawful money of the United States of America. In case the maturity date of the principal of this bond or the date fixed for the payment of interest on or the redemption of this bond shall not be a Business Day (as defined below), then payment of principal, premium, if any, and interest need not be made on such date, but may be made on the next succeeding Business Day, and, if made on such next succeeding Business Day, no additional interest shall accrue for the period after such maturity date or date fixed for the payment of interest or redemption. "Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banking institutions generally are open for business in New York and Virginia.

This bond has been authorized by an ordinance adopted by the Council on April 23, 2002 (the "Ordinance"), and is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, a resolution adopted by the Council on April 23, 2002 (such resolution together with the Ordinance, the "Resolution"), and the Financing Agreement. Proceeds of this bond will be used to provide funds to finance certain improvements to the City's water and wastewater system and to pay the issuance and financing costs incurred in issuing this bond.

The full faith and credit of the City are irrevocably pledged for the payment of principal of and premium, if any, and interest on this bond and the performance of the City's obligations under the Financing Agreement. In addition, subject to the City's right to apply Revenues (as defined in the Financing Agreement) to the payment of Operation and Maintenance Expenses (as defined in the Financing Agreement), Revenues are irrevocably pledged for the payment of principal and premium, if any, and interest on this

bond and the payment and performance of the City's obligations under the Financing Agreement. Such pledge of Revenues shall be on a parity with the pledge of Revenues securing the City's Taxable Water and Sewer Revenue Bond, Series of 1991, its Taxable Water and Sewer Revenue Bond, Series of 1992, its Taxable General Obligation Water and Sewer Bond, Series of 1998, its General Obligation Water and Sewer Bond, Series of 2001A, and its General Obligation Water and Sewer Bond, Series of 2002A, when and if issued.

If any failure of the City to pay all or any portion of any required payment of the principal of or premium, if any, or interest on this bond results in a withdrawal from the Capital Reserve Fund and/or a drawing on any CRF Credit Facility (each as defined in the Financing Agreement), the interest rates applicable to this bond shall be increased to interest rates sufficient to reimburse the Capital Reserve Fund for any foregone investment earnings on the funds withdrawn therefrom and/or pay any interest, fees or penalties assessed by the CRF Credit Provider as a result of the drawing on the CRF Credit Facility. The increment of interest payable pursuant to the increase in rates shall be referred to as "Supplemental Interest." The City's obligation to pay Supplemental Interest shall commence on the date of VRA's withdrawal of funds from the Capital Reserve Fund or the drawing on the CRF Credit Facility occasioned by the City's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The City's obligation to pay Supplemental Interest shall terminate on the date on which the City remedies such failure to pay by making all payments required but outstanding since the date of such failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in this bond. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly schedule interest payment date provided for in this bond, VRA shall deliver to the City a certificate as to increase in interest rates and the amount of Supplemental Interest. The certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

This bond may be redeemed, prepaid or refunded at the option of the City upon the terms set forth in the Financing Agreement.

This bond is issuable as a fully registered bond. Upon surrender of this bond at the Registrar's office, together with an assignment duly executed by the registered owner or such owner's duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the City shall execute, and the Registrar shall authenticate and deliver in exchange, a new bond or bonds in the manner and subject to the limitations and conditions provided in the Resolution, having an equal aggregate principal amount,

in authorized denominations, of the same series, form and maturity, bearing interest at the same rates and in the same manner, and registered in such names as requested by the then registered owner of this bond or such owner's duly authorized attorney or legal representative. Any such exchange shall be at the City's expense, except that the Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect to it.

The City shall treat the registered owner of this bond as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as owner on the 15th day of the month preceding each interest payment date.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this bond have happened, exist and have been performed, and this bond, together with all other indebtedness of the City, is within every debt and other limitation prescribed by the Constitution and statutes of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the City of Bedford, Virginia, has caused this bond to be signed by its Mayor and the City's seal to be affixed hereto and attested by the Clerk of Council.

(SEAL)

Mayor, City of Bedford,
Virginia

ATTEST:

Clerk of Council, City of Bedford, Virginia

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sell(s), assign(s) and transfer(s) unto

(Please print or type name and address, including postal zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER

IDENTIFYING NUMBER OF TRANSFEREE:

:
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:_____:

the within bond and all rights thereunder, hereby irrevocably constituting and appointing _____, Attorney, to transfer said bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union or Savings Association who is a member

(Signature of Registered Owner)

NOTICE: The signature above must correspond with the name of the registered owner as it appears on the

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**SCHEDULE I TO
CITY OF BEDFORD, VIRGINIA**

GENERAL OBLIGATION WATER AND SEWER BOND

SERIES OF 2002B

Principal	Principal	Principal	
Installment	Installment	Installment	Interest
<u>Number</u>	<u>Amount</u>	<u>Due Date</u>	<u>Rate</u>