

April 14, 2009

The regular meeting of the Council of the City of Martinsville, Virginia, was held on April 14, 2009, in Council Chambers, Municipal Building, at 7:30 PM, with Mayor Kathy Lawson presiding. Council Members present included: Mayor Kathy Lawson, Vice Mayor Kimble Reynolds, Gene Teague, Mark Stroud, Sr., and Danny Turner. Staff present included: Clarence Monday, City Manager, Brenda Prillaman, Leon Towarnicki, Eric Monday, Wayne Knox, Mike Rogers, Linda Conover, Susan McCulloch, Kenneth Draper, Gary Cody, Ruth Easley, Sheriff Steve Draper and numerous personnel from City Sheriff's office.

Following the invocation by Danny Turner and Pledge to the American Flag, Mayor Lawson welcomed everyone to the meeting.

On a motion by Kimble Reynolds, seconded by Gene Teague, Council approved with a 5-0 vote, the minutes of the March 24, 2009 meeting.

Sheriff Wakey Howard of New Kent County, representing the Executive Board of the Virginia Law Enforcement Professional Standards Commission and Sheriff Charles E. Jett of Stafford County presented the Award of Accreditation to the Martinsville Sheriff's Office for achieving accredited status. The accreditation program was designed to measure and confirm compliance of the participating agency with professional standards in the law enforcement profession. Only 77 of 417 sheriff's agencies in Virginia have reached accreditation and the process is totally voluntary and not a requirement. The Mayor read a congratulatory letter to the Sheriff from Senator Roscoe Reynolds who could not be in attendance.

Police Chief Mike Rogers along with other members of the Martinsville and Henry County government made a presentation of a framed Commonwealth Flag print to former Congressman Virgil Goode expressing appreciation for his commitment to and strong support of public safety: City Manager Clarence Monday, County Administrator Benny Summerlin, Sheriff Steve Draper, Fire Chief Kenneth Draper, Police Academy Director Charles Long, Henry County Sheriff Lane Perry, Martinsville Public Safety Director Bob Phillips, City Police Chief Mike Rogers and Henry County Public Safety Director Dale Wagoner.

Leisure Services Director Gary Cody and Melissa Gravely of Activate reported on numerous physical and education activities in the community to

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encourage biking among children, families, seniors and others. The Mayor read the following proclamation declaring National Bike Month:

WHEREAS, for more than a century, the bicycle has been an important part of the lives of many Americans, and today residents of all ages throughout our great Commonwealth engage in bicycling for transportation, recreation, fitness, and fun; and

WHEREAS, bicycling is the most efficient form of transportation and offers independent mobility for many Virginians traveling between work, school, and home, and the use of bicycles for transportation benefits all residents of Martinsville by easing traffic congestion, reducing air pollution, and saving highway construction dollars; and

WHEREAS, bicycling is recognized as an activity that can reduce the onset of chronic disease and reduce childhood obesity, and consideration of bicycling in transportation and land use planning, and in programs such as Safe Routes to School will help create a healthier and more active community in Martinsville, Virginia; and

WHEREAS, bicycling offers a unique perspective from which residents and visitors may discover Virginia's natural beauty, history, and culture, and a vast network of scenic rural roads and pleasant weather conditions make Virginia a favorite destination for bicycling enthusiasts; and

WHEREAS, the Commonwealth contains more miles of the U.S. Numbered Bicycle Route System than any other state, and is the only place where two routes intersect, and Virginia is fortunate to play host to many organized recreational, charitable, and competitive bicycling events, each of which contributes much to Martinsville's economy; and

WHEREAS, National Bike Month provides an opportunity to increase public awareness of the many benefits of bicycling, to promote bicycle safety, and to encourage bike riding through organized activities including, but not limited to physical education program Bike Smart Basics, city cycling confidence, ChainGanG "Earn-A-Bike" program, club rides, family rides and bike rodeos for children;

NOW, THEREFORE, I, Kathy Lawson do hereby proclaim May 2009 as NATIONAL BIKE MONTH in the City of Martinsville and I call this observance to the attention of all our citizens.

At a joint meeting of the Martinsville Council, Henry County Board of Supervisors, and Henry Martinsville Department of Social Services Board on April 8, 2009, a Memorandum of Understanding was approved by the Henry County Board of Supervisors and the Henry Martinsville Department of Social Services. City Council agreed to consider the Memorandum of Understanding at this meeting after allowing time for public comments.

Mayor Lawson opened the floor for public comment: Deborah France, 416 Swanson St., stated she was against moving DSS to the Athena building as the Athena building represents the future; Kathy Rogers urged Council to consider approval of the MOU as it presents a win-win for all involved; Amy Tuttle pointed out that DSS desperately needs a building and that privacy issues are a real problem; Dr. Mervyn King pointed out DSS is definitely needed and they need to move into a place with less economic impact and need to consider shopping center options—he indicated he would offer office space in the McCollum Ferrell building he owns free of charge for two years; Ben Meador thanked Council for efforts in showing there could be cooperation; Rev. James Richardson stated it is past time to do something about housing DSS and he pointed out several questions he had regarding amount of the grant funds that may have to be paid back and what was the role of the EDC and was there advocacy for city and county regarding the Athena building.

The Mayor then asked for Council member comments: Teague—need to approach as to what is in best interest of citizens, big concern was loss of revenue

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and the MOU is addressing this which makes it a win-win situation with the least cost solution for taxpayers being the Athena site. Turner—feels this is a bad agreement for the city and that the Athena property is very valuable property and has not been properly marketed, appears we are giving up on Martinsville and he is convinced Food Lion site is the good site. Stroud—he has received very few negative calls and citizens are for the Athena site for the sake of moving forward, property owner of Food Lion site told Stroud he felt Athena was a good direction to take. Reynolds—thanked Mayor and Council Member Teague for all the work on the MOU and without question he feels DSS deserves a decent place to do business and citizens deserve a place to receive services in an efficient and effective manner, pointed out we have chance to create a model for the future to serve our citizens and we should have a vision for our community to embrace the future. Mayor Lawson—feels this decision is a long time coming, county did not have to offer revenue sharing at the Patriot Centre and this MOU is a compromise that the two governments have worked out for a solution and this is the way we need to go.

After consideration of comments, a motion was made by Gene Teague, seconded by Mark Stroud, with a 4-1 vote, (Council Member Danny Turner voted nay), Council approved the following Memorandum of Understanding regarding space needs of the Department of Social Services with an official signing of the document to be held at the Henry County Administration Building on Wednesday morning, April 15, 2009 at 7:15 am and media will be notified:

Memorandum of Understanding:

The Martinsville City Council and the Henry County Board of Supervisors share the notion that working cooperatively to address our needs, particularly in the catastrophic economic times in which we find ourselves, is the best and most cost-effective way to govern. City Council and the Board of Supervisors also understand that what benefits one community benefits the entire community. In addition, City Council, the Department of Social Services, and the Board of Supervisors understand that many people in our community are in need of assistance, and it is the responsibility of those who provide that assistance to do so with dignity and fairness to all parties.

Finally, Council and the Supervisors embrace and support the philosophy that, while we have our differences on issues, everyone has the same goal – accomplishing what is best for ALL our citizens.

Therefore, the City of Martinsville and the County of Henry agree to the following:

- 1) The County of Henry agrees to convert the balance of the buildable tracts (approx. 153 acres) in the Patriot Centre to revenue-sharing lots with the City of Martinsville with the exception of a 10-acre tract that is designated for a day care center. The agreements will mirror the current revenue sharing agreements in place for the 5 lots at the Patriot Centre, the Patriot expansion through the Bryant property lots and the ROMA site. This addresses the City of Martinsville's concern over future revenue growth related to the loss of potential revenue from the Athena site and Clearview Business Park.
- 2) The City of Martinsville agrees to grant a rezoning and/or special use permit to allow the use of the Athena Building by the Henry-Martinsville Department of Social Services (DSS).
- 3) Based on Henry County's purchase of the Athena Building for \$1,650,000, the City of Martinsville will purchase 34% of the Athena Building for \$561,000. Based on Henry County's estimate of renovation costs of \$700,000, the City of Martinsville

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will pay for 34%, or \$238,000, of the renovation costs. Henry County's share of the renovation costs would be 66%, or \$462,000. Any additional renovation costs will be split according to the current capital cost share formula previously agreed to between the parties of 34% of the City and 66% for County.

- 4) The County of Henry will convey a 34% interest in the Athena property to the City of Martinsville, as tenants in common with the County, by special warranty deed with English covenants of title.
- 5) The County of Henry and the City of Martinsville will agree to split 50/50 any payments legally required to be refunded for grant monies used to build Clearview Business Park if the City is required to do so as a result of the usage of DSS in the Athena site.
- 6) A new lease agreement will be drawn and executed for the Athena facility, using all the conditions with the DSS as outlined in the current lease agreement, to the extent these terms and conditions do not conflict with the Virginia Department of Social Services General Lease Requirements.
- 7) The City/County/DSS will create a committee consisting of the City Manager, County Administrator, and the Director of the Department of Social Services to design and approve a layout and the use of the building, including furniture and fixtures.
- 8) At the end of each calendar year, DSS will schedule on-site facility inspections to include a city representative and a county representative to determine upcoming maintenance needs for inclusion in the city and county budget process. The DSS will be responsible for submitting the report after the inspections are completed.
- 9) The City /County will partner together to maximize use of the Athena building and the current DSS facility.

It is the hope of the County and the City that these actions will address concerns by all parties and that all parties can focus on the future growth and prosperity of our community.

This Memorandum of Understanding was approved this _____ day of April 2009 by majority vote of the Martinsville City Council; and by majority vote of the Henry County Board of Supervisors; and majority vote of the Henry-Martinsville Department of Social Services Board.

Debra Buchanan, Chairman
Henry County Board of Supervisors

Kathy Lawson, Mayor
City of Martinsville

Ben Meador, Chairman
Henry-Martinsville Social Services Board

Mayor Lawson noted the agenda item for hearing an update from Mark Heath of the Martinsville-Henry County Economic Development Corporation will be moved to the May 12 Council agenda.

After comments from Wayne Knox regarding a recommendation from the Planning Commission to amend the Historic District Design Guidelines Mayor Lawson opened the public hearing. There being no public comments, Mayor Lawson closed the public hearing. On a motion by Gene Teague, seconded by Danny Turner, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council approved, on first reading, the ordinance amending the Historic District Design Guidelines as recommended by the Planning Commission.

City Manager Clarence Monday introduced Bond Counsel, Paul Jacobson with Sands, Anderson, Marks & Miller and Ted Cole of Davenport & Company who have worked hard on this project noting with interest rates as low as they are, it was a good time to do a risk free RFP and position ourselves to handle

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capital needs. Council approved this ordinance on the first reading on March 24, 2009 and the Charter requires a second reading. Mr. Cole reported there will be a recommendation of a bank with potential closing date of May 14, 2009.

On a motion by Kimble Reynolds, seconded by Mark Stroud, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council approved, on second reading the following ordinance reciting the expediency of the issuance of up to \$5,535,000 principal amount of general obligation bonds:

CITY OF MARTINSVILLE, VIRGINIA AN ORDINANCE RECITING THE EXPEDIENCY OF THE ISSUANCE OF UP TO \$5,535,000 PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA, AND SETTING FORTH THE PURPOSE, IN GENERAL TERMS, FOR WHICH THE BONDS ARE TO BE ISSUED, THE MAXIMUM AMOUNT OF THE BONDS TO BE ISSUED AND THE MAXIMUM LENGTH OF TIME SUCH BONDS WILL BE OUTSTANDING

Adopted on April 14, 2009

Be it Ordained by the Council of the City of Martinsville, Virginia:

Section 1 - Findings and Determinations

The City Council ("City Council") of the City of Martinsville, Virginia (the "City") proposes to issue bonds for the purposes of (i) refunding the outstanding balance of the City's \$2,529,764 General Obligation Refunding Bond, Series 2005 (the "2005 Refunding Bond"), (ii) refunding the outstanding balance of the City's not to exceed \$2,500,000 General Obligation Bond (Landfill Project), Series 2005 (the "2005 Landfill Bond" and, together with the 2005 Refunding Bond, the "Bonds to be Refunded") and (iii) financing the acquisition, construction and equipping of municipal building improvements, landfill improvements and acquisition of a truck for municipal purposes (together, the "2009 Project") and hereby finds and determines that: (i) the City is in need of funds to be used by the City for the refunding of the Bonds to be Refunded, for costs of the 2009 Project, for costs of issuance of the Bonds (defined below) and for payment of interest on the Bonds; (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for and otherwise support the activities of the City and the City's municipal purposes; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of general obligation Bonds in an original principal amount not to exceed \$5,535,000 to be issued by the City as further described herein (the "Bonds") to be used for the refunding of the Bonds to be Refunded, for costs of the 2009 Project, for certain costs of issuance of the Bonds and for payment of interest on the Bonds; (iv) the issuance of the Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (iv) the issuance of the Bonds is in the best interests of the City and its citizens.

Section 2 - Description of Bonds

The City Council finds that it is expedient for the City to borrow money and issue the Bonds for the refunding of the Bonds to be Refunded in a maximum principal amount not to exceed \$4,335,000 and for the financing of the 2009 Project in a maximum principal amount not to exceed \$1,200,000. The maximum length of time that the Bonds will be outstanding is twenty years from the date of issuance of the Bonds. The form and details of the Bonds which are proposed to be issued will be more specifically set forth in a City Ordinance to be entitled "AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$5,535,000 MAXIMUM PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA, AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF," which will be introduced before the Council and considered for passage following a public hearing as required by law.

Section 3 - Actions Authorized

All actions of the City Manager, Assistant Finance Director, City Attorney, Bond Counsel, the City's financial advisor and all other officers, employees and agents of the City in furtherance of the issuance of the Bonds and the refunding of the Bonds to be Refunded are hereby approved and ratified.

Section 4 - Invalidity of Sections

If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.

Section 5 - Headings of Sections

The headings of the sections of this Ordinance shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.

Section 6 - Effective Date and Filing of Ordinance

The Council hereby declares in the public interest that this Ordinance shall become effective immediately upon its passage. A copy of this Ordinance, certified by the Clerk of the Council, shall be filed with the Clerk of the Circuit Court of the City of Martinsville, Virginia.

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The Members of the Council voted as follows on the foregoing Ordinance:

Ayes
Absent

Nays
Abstentions

Adopted this 14th day of April, 2009.

The undersigned Clerk of the City Council of the City of Martinsville, Virginia hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the City Council held on April 14, 2009, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly called meeting and that, during the consideration of the foregoing Ordinance, a quorum was present. Dated this ____ day of _____, 2009.

Clerk, City Council of
City of Martinsville, Virginia

Ted Cole and Paul Jacobson discussed the Bond Ordinance authorizing the issuance of up to \$5,535,000 maximum principal amount of general obligation bonds. This ordinance has three separate projects that can be adopted in entirety, not adopted at all, or in part as follows: (1) refinancing of three outstanding bond obligations in the aggregate amount of \$4,335,000. (2) \$400,000 to fund regular FY10 capital needs, including enhancements to City courtrooms, Municipal Building improvements, and a bucket truck for the Electric Department. (3) Landfill project for approximately \$800,000 if determined to be a profitable venture. Davenport, on behalf of the city, drafted, distributed, negotiated, and received bids from financial institutions interested in providing the City with the necessary financing to refund some of its existing debt and provide for capital improvements. Four firm bids were received. The results of the proposal process and negotiations leave the following for consideration by Council: interest rates provided by Carter Bank & Trust are lower than other proposals; Carter Bank & Trust provides the most flexible Terms and Conditions which include: the loan may be prepaid in whole or in part without penalty at any time, no bank costs/fees, can provide funding within the city's desired timetable, and no escrow requirements; per discussion with staff, Davenport has structured the savings achieved through the Refundings to be recognized primarily in FY2010; Carter Bank & Trust has provided attractive borrowing interest rates with respect to the amortization periods requested by the City. Preliminarily, staff has provided guidance with respect to matching the amortization periods—bucket truck estimated useful life of 10 years and landfill improvements estimated useful life of 20 years; based upon these proposals, Davenport recommends that the City consider awarding the financing to Carter Bank & Trust with a debt service savings of \$88,103. This proposed Ordinance

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is the actual Bond Ordinance for authorization to issue said bonds and actual selection of the financial institution. The FY10 budget will be presented to Council on April 21 while a public hearing on this Bond Ordinance will be conducted on April 28 at which time Council can, on second reading, approve all projects contained, no projects, or specific projects only. After lengthy discussion by Council members, a motion was made by Kimble Reynolds, seconded by Mark Stroud, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council approved the bond ordinance on the first reading. On a motion by Gene Teague, seconded by Danny Turner, with a 5-0 vote, Council agreed to proceed with Carter Bank & Trust. Following is the ordinance approved on first reading:

**CITY OF MARTINSVILLE, VIRGINIA
AN ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$5,535,000 MAXIMUM PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS OF THE CITY OF MARTINSVILLE, VIRGINIA AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF**

Adopted on April 28, 2009

Be it Ordained by the Council of the City of Martinsville, Virginia:

Section 1 Definitions

Unless the context shall clearly indicate some other meaning, the following words and terms shall for all purposes of the Ordinance and of any certificate, resolution or other instrument amendatory thereof or supplemental thereto for all purposes of any opinion or instrument or other documents therein or herein mentioned, have the following meanings:

"Act" shall mean the Public Finance Act, Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended.

"Bank" shall mean Carter Bank & Trust, Martinsville, Virginia.

"Bonds" shall mean the City's General Obligation Bonds, in the aggregate principal amount of up to \$5,535,000, authorized to be issued hereunder, which are the Refunding Bonds, as such are defined in Section 2(a) in the aggregate principal amount of up to \$4,335,000 and the Project Bonds, as such are defined in Section 2(b) in the aggregate principal amount of up to \$1,200,000.

"Bondholder" or "Bondholders" shall mean the registered holder or holders of the Bonds.

"Bond Counsel" shall mean Sands, Anderson, Marks & Miller, a Professional Corporation or another attorney or firm of attorneys nationally recognized on the subject of municipal bonds selected by the City.

"Bond Fund" shall mean the Bond Fund established by Section 6.

"Bond Maturity Date" shall mean July 15, 2019 for the Series A Refunding Bond, July 15, 2015 for the Series B Refunding Bond, July 15, 2019 for the Series A Project Bond and July 15, 2029 for the Series B Project Bond.

"Bond Payment Date" shall mean the 15th day of each January and July, beginning July 15, 2009 for the Series A Refunding Bond, the Series B Refunding Bond and the Series A Project Bond, and January 15, 2010 for the Series B Project Bond, up to and including the applicable Bond Maturity Date.

"Bond Proceeds Fund" shall mean the Bond Proceeds Fund established by Section 4.

"Business Day" shall mean any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banks generally are open for business in the Commonwealth of Virginia.

"City" shall mean the City of Martinsville, Virginia.

"City Charter" shall mean the City Charter of the City of Martinsville, Virginia, as amended.

"Clerk" shall mean the Clerk of the Council or the Deputy Clerk of the Council.

"Closing Date" shall mean the date on which the Bonds are issued and delivered to the Bondholder.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and applicable regulations, procedures and rulings thereunder.

"Commonwealth" shall mean the Commonwealth of Virginia.

"Council" shall mean the City Council of the City of Martinsville.

"Interest Account" shall mean the Interest Account in the Bond Fund established by Section 6.

"Mayor" shall mean the Mayor or Vice Mayor of the City.

"Outstanding" when used in reference to the Bonds shall mean as of a particular date, the Bonds authenticated and delivered under this Ordinance except:

- (i) if a Bond is canceled by the City at or before such date;
- (ii) a Bond for the redemption or purchase of which cash or noncallable direct obligations of the United States of America, equal to the redemption or purchase price thereof to the redemption or purchase date, shall have been deposited with the Paying Agent, for which notice of redemption or purchase shall have been given in accordance with the Ordinance;
- (iii) a Bond in lieu of, or in substitution for which, another Bond shall have been authenticated and delivered pursuant to this Ordinance; and

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- (iv) if a Bond is deemed paid under the provisions of Section 9, except that such Bond shall be considered Outstanding until the maturity or redemption date thereof only for the purposes of actually being paid.

"**Paying Agent**" shall mean the City Treasurer acting as Paying Agent for the Bonds hereunder or the successors or assigns serving as such hereunder.

"**Principal Account**" shall mean the Principal Account in the Bond Fund established by Section 6.

"**Registrar**" shall mean the Paying Agent, or the successors or assigns serving as such hereunder.

Section 2 Findings and Determinations

(a) The Council hereby finds and determines that (i) the City is in need of funds to be used for the purpose of refunding the outstanding balance of the City's \$2,529,764 General Obligation Refunding Bond, Series 2005 (**the "2005 Refunding Bond"**) issued for the purpose of refinancing school and redevelopment projects in the City (**the "School and Redevelopment Project"**) and the outstanding balance of the City's not to exceed \$2,500,000 General Obligation Bond (Landfill Project), Series 2005 (**the "2005 Landfill Bond" and, together with the 2005 Refunding Bond, the "Bonds to be Refunded"**), issued to finance City landfill improvements (**the "Landfill Project"**) including payment of costs of issuance of the Refunding Bonds (as defined below); (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for and otherwise support the activities of the City and the City's municipal purposes; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of general obligation refunding Bonds, Series 2009A and Series 2009B, in an aggregate original principal amount not to exceed \$4,335,000 to be issued by the City as further described herein (**the "Refunding Bonds"**) to be sold to the Bank, which has offered to purchase the same on certain terms and conditions pursuant to the Bank's proposal and a Financing Agreement between the City and the Bank dated as of May 1, 2009 (**the "Financing Agreement"**), the form of which has been presented to the City Council; (iv) the issuance of the Refunding Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (v) the issuance of the Refunding Bonds is in the best interests of the City and its citizens. The Council hereby finds and determines that the probable useful life of the School and Redevelopment Project and the Landfill Project, and any and all portions of the School and Redevelopment Project and the Landfill Project, exceed fifteen and one-half years from the date of adoption of this Ordinance and that the Refunding Bonds are payable and shall mature within the probable useful life of the School and Redevelopment Project and the Landfill Project and the probable useful life of any and all portions of the School and Redevelopment Project and the Landfill Project (whether considered alone or as an average useful life of such portions).

(b) The Council hereby finds and determines that (i) the City is in need of funds to be used for the purposes of financing the acquisition, construction and equipping of municipal building improvements, landfill improvements and acquisition of a truck for municipal purposes (**together, the "Project"**) including payment of costs of issuance of the Project Bonds and interest on the Project Bonds; (ii) the obtaining of such funds will be for municipal purposes of the City, for the welfare of citizens of the City for purposes which will serve the City and its citizens pursuant to the authority of the City to provide funds for and otherwise support the activities of the City and the City's municipal purposes; (iii) the most effective, efficient and expedient manner in which to provide such funds to the City is through the issuance of general obligation Project Bonds, Series 2009A and Series 2009B, in an aggregate original principal amount not to exceed \$1,200,000 to be issued by the City as further described herein (**the "Project Bonds"**) to be sold to the Bank, which has offered to purchase the same on certain terms and conditions pursuant to the Bank's proposal and the Financing Agreement; (iv) the issuance of the Project Bonds is within the power of the City to contract debts, borrow money and make and issue evidence of indebtedness; and, (v) the issuance of the Project Bonds is in the best interests of the City and its citizens. The maximum length of time that the Series A Project Bond will be outstanding is ten and one-half years from the date of issuance of the Series A Project Bond. The Council further hereby finds and determines that the probable useful life of the portion of the Project financed by the Series A Project Bond, which is a truck for municipal purposes, exceeds ten and one-half years and that the Series A Project Bond is payable and shall mature within the average probable useful life of that portion of the Project. The maximum length of time that the Series B Project Bond will be outstanding is twenty and one-half years from the date of issuance of the Series B Project Bond. The Council further hereby finds and determines that the average probable useful life of the portion of the Project financed by the Series B Project Bond exceeds twenty and one-half years and that the Series B Project Bond is payable and shall mature within the average probable useful life of that portion of the Project.

Section 3 Authorization, Form and Details of the Bonds

(a) There is hereby authorized to be issued general obligation bonds of the City in the aggregate principal amount of up to \$4,335,000 for municipal purposes as described in Section 2(a) above. The Refunding Bonds authorized herein shall be designated "General Obligation Refunding Bond, Series 2009A" (**the "Series A Refunding Bond"**) and "General Obligation Refunding Bond, Series 2009B" (**the "Series B Refunding Bond"**). The Series A Refunding Bond shall be issuable in the principal amount of \$2,523,900 as a fully registered Bond, without coupons, shall be dated the Closing Date, shall be numbered R-1, shall bear interest payable on the applicable Bond Payment Date at a rate of 3.25% per annum. The Series B Refunding Bond shall be issuable in the principal amount of \$1,782,700 as a fully registered Bond, without coupons, shall be dated the Closing Date, shall be numbered R-1, shall bear interest payable on the applicable Bond Payment Date at a rate of 2.50% per annum. The Refunding Bonds shall mature on their respective Bond Maturity Date. Commencing on July 15, 2009, and continuing on each January 15 and July 15 thereafter, interest on the outstanding principal amounts of the Refunding Bonds shall be due and payable as set forth above, and commencing on July 15, 2009, and continuing on each July 15 thereafter, principal amounts of the Refunding Bonds shall be due in accordance with the Bank's written proposal to purchase the Refunding Bonds until the applicable Bond Maturity Date. The Refunding Bonds are subject to redemption prior to maturity at the option of the Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of the Refunding Bonds to be redeemed, plus interest accrued to the redemption date. The Refunding Bonds are hereby authorized to be issued under the City Charter and the Act. The Refunding Bonds shall bear interest from the date on which they are authenticated. Interest on the Bonds shall be computed on the basis of 30-day months and a 360-day year.

Principal of, and interest on, the Refunding Bonds shall be payable in lawful money of the United States of America. Principal of and interest on the Refunding Bonds shall be payable by check or draft mailed to the registered owner thereof at its address.

The Refunding Bonds shall be printed, lithographed or typewritten and shall be substantially in the form herein below set forth, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance, including such variations, insertions and omissions as shall be necessary to issue the Refunding Bonds under a system of book-entry for recording the ownership and transfer of ownership of rights to receive payments of principal of and interest on the Refunding Bonds, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

If any principal of, or interest on, the Refunding Bonds is not paid when due (whether at maturity, by acceleration or call for redemption, or otherwise), then, to the extent permitted by law, the overdue installments of principal shall bear interest until paid at the same rate or rates as set forth in the Refunding Bonds.

The Refunding Bonds shall be signed by the facsimile or manual signature of the Mayor. The facsimile of the City's seal shall be printed thereon or manually impressed thereon and attested by the facsimile or manual signature of the Clerk. In case any officer whose signature or facsimile of whose signature shall appear on a Refunding Bond shall cease to be such officer before delivery of a Refunding Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he remained in office until such delivery. The Refunding Bonds may bear the facsimile signature of or may be signed by such persons as at the actual time of the execution thereof shall be the proper officers to sign the Refunding Bonds although on the date of delivery of the Refunding Bonds such persons may not have been such officers.

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The Refunding Bonds shall bear a certificate of authentication, in the form set forth below, duly executed by the Registrar. The Registrar shall authenticate the Refunding Bonds with the signature of an authorized officer of the Registrar. Only the authenticated Refunding Bonds shall be entitled to any right or benefit under this Ordinance, and such certificate on the Refunding Bonds issued hereunder shall be conclusive evidence that the Refunding Bonds have been duly issued and is secured by the provisions hereof.

The Paying Agent shall act as Registrar and shall maintain Registration Books for the registration and the registration of transfer of the Refunding Bonds. The City Treasurer is hereby designated and authorized to act as Paying Agent and Registrar hereunder. The transfer of the Refunding Bonds may be registered only on the books kept for the registration and registration of transfer of the Refunding Bonds upon surrender thereof to the Registrar together with an assignment duly executed by the registered Bondholder in person or by his duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such transfer, the City shall execute and the Registrar shall authenticate and deliver, in exchange of the Refunding Bonds, new registered Refunding Bond registered in the name of the transferee of the same series, maturity and interest rate as the Refunding Bonds so exchanged in any denomination or denominations authorized by this Ordinance.

The Registrar shall not be required to make any such registration or registration of transfer during the thirty (30) days immediately preceding any Bond Payment Date or a redemption date.

Prior to due presentation for registration of transfer for the Refunding Bonds, the Registrar shall treat the registered Bondholder as the person exclusively entitled to payment of principal of, premium, if any, and interest on, the Refunding Bonds and the exercise of all other rights and powers of the Bondholder.

If a Refunding Bond has been mutilated, lost or destroyed, the City shall execute and the Registrar shall authenticate and deliver a new Refunding Bond of like date and tenor in exchange or substitution for, and upon cancellation of, such mutilated Refunding Bond or in lieu of and in substitution for such lost or destroyed Refunding Bond; provided, however, that the City and the Registrar shall execute, authenticate and deliver such Refunding Bond only if the Bondholder has paid the reasonable expenses and charges of the City and the Registrar in connection therewith and, in the case of a lost or destroyed Refunding Bond, has furnished to the City and the Registrar (a) evidence satisfactory to them that such Refunding Bond was lost or destroyed and the Bondholder was the Owner thereof and (b) indemnity satisfactory to them. If the Refunding Bonds has matured, instead of issuing a new Refunding Bond, the Registrar may pay the same without surrender thereof upon receipt of the aforesaid evidence and indemnity.

If a Refunding Bond has been paid (whether at maturity, by acceleration or otherwise) or delivered to the Paying Agent for cancellation, the Refunding Bond shall not be reissued and the Registrar shall, unless otherwise directed by the City, cremate, shred or otherwise dispose of the Refunding Bonds. The Registrar shall deliver to the City a certificate of any such cremation, shredding or other disposition of the Refunding Bond.

CUSIP identification numbers may be printed on the Refunding Bonds, but such numbers shall not be deemed to be a part of the Refunding Bonds or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of the officers or agents thereof because or on account of said CUSIP numbers.

The Refunding Bonds, the Certificate of Authentication and the provision for the assignment to be inserted in the Refunding Bonds shall be substantially in the following form, to-wit:

"FORM OF BOND"

No. R-1

**UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA, CITY OF MARTINSVILLE
GENERAL OBLIGATION REFUNDING BOND SERIES 2009[A][B]**

Dated: _____, 2009

Maturity Date: July 15, 20__

**Registered Holder:
CARTER BANK & TRUST**

Principal Sum: \$ _____

Interest Rate: _____%

KNOW ALL MEN BY THESE PRESENTS, that the City of Martinsville, Virginia (**hereinafter sometimes referred to as the "City"**), a City of the Commonwealth of Virginia, for value received hereby promises to pay to the registered holder (named above), or assigns, subject to prepayment or prior redemption as hereinafter provided, the principal amount of _____ (\$ _____), in annual installments in the amounts set forth on Schedule A attached hereto payable on _____ and annually on _____ thereafter to and including _____, 20__, together with interest from the date of this bond on the unpaid principal balance, payable semi-annually on _____ and _____ of each year, commencing on _____, at the rate of _____% per annum, as set forth on Schedule A attached hereto.

Both principal of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

It is hereby certified, recited and declared that all acts, conditions and things required to have happened, to exist and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due time, form and manner as required by law; that this Bond does not exceed any constitutional, statutory or charter limitation of indebtedness; and that provision has been made for the payment of the principal of, and interest on, this Bond as provided in the Ordinance.

No registration, transfer or exchange of this Bond shall be permitted within thirty (30) days of the Maturity Date or the date of prepayment or redemption of this Bond.

This Bond is in the aggregate principal amount of \$ _____, and is issued under and pursuant to and in compliance with the Constitution and laws of the Commonwealth of Virginia, including the City Charter of the City of Martinsville, Virginia and Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, the same being the Public Finance Act, and the Ordinances duly adopted under said Chapter by the City Council on April 14, 2009 and April 28, 2009 (**together, the "Ordinance"**) and the Financing Agreement between the City and Carter Bank & Trust dated as of May 1, 2009 (**the "Financing Agreement"**).

This Bond shall bear interest from the date on which this Bond is authenticated. Interest on this Bond shall be computed on the basis of 30-day months and a 360-day year.

This Bond is transferable only upon the registration books kept at the office of the Registrar by the registered holder hereof, or by his duly authorized attorney, upon surrender of this Bond (together with a written instrument of transfer, satisfactory in form to the Registrar, duly executed by the registered holder or his duly authorized attorney, which may be the form endorsed hereon) and subject to the limitations and upon payment of the charges, if any, as provided in the Ordinance, and thereupon as provided in the Ordinance a new Bond, in the aggregate principal amount and of the same series, interest rate and maturity as the Bond surrendered, shall be issued in exchange therefor. The City and the Registrar shall deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes whatsoever.

The Bond is subject to prepayment or redemption prior to maturity at the option of the City Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of Bond to be redeemed, plus interest accrued to the redemption date. The records of the Holder hereof shall be prima facie evidence of the amount of principal and interest owed hereunder.

THIS BOND IS A GENERAL OBLIGATION OF THE CITY FOR THE PAYMENT OF WHICH THE CITY'S FULL FAITH AND CREDIT ARE IRREVOCABLY PLEDGED. THE CITY COUNCIL IS AUTHORIZED AND REQUIRED TO LEVY AND COLLECT ANNUALLY AT THE SAME TIME AND IN THE SAME MANNER AS OTHER TAXES OF THE CITY ARE ASSESSED,

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LEVIED AND COLLECTED, A TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY, OVER AND ABOVE ALL OTHER TAXES AUTHORIZED OR LIMITED BY LAW AND WITHOUT LIMITATION AS TO RATE OR AMOUNT, SUFFICIENT TO PAY WHEN DUE THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BOND, TO THE EXTENT OTHER FUNDS OF THE CITY ARE NOT LAWFULLY AVAILABLE AND APPROPRIATED FOR SUCH PURPOSE.

Reference is hereby made to the Ordinance and to all of the provisions thereof to which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and nature and extent of the security for the Bond; the conditions upon which the Ordinance may be amended or supplemented without the consent of the holder of this Bond and upon which it may be amended only with the consent of the holder of the Bond affected thereby; the rights and remedies of the holder hereof with respect hereto; the rights, duties and obligations of the City; the provisions discharging the Ordinance as to this Bond and for the other terms and provisions of the Ordinance.

This Bond shall not be valid or obligatory for any purpose unless the certificate of authentication hereon has been duly executed by the Registrar and the date of authentication inserted hereon.

IN WITNESS WHEREOF, the City of Martinsville, Virginia, by its City Council has caused this Bond to be signed by the Mayor and attested by the Clerk of said Council, by their manual or facsimile signatures, and its seal to be impressed or imprinted hereon, and this Bond to be dated as set forth above.

(SEAL)

Clerk of the City Council

Mayor of the City of Martinsville
CERTIFICATE OF AUTHENTICATION

This Bond is the Bond described in the within-mentioned Ordinance.

REGISTRAR - CITY OF MARTINSVILLE TREASURER

By: _____
Martinsville City Treasurer

DATE OF AUTHENTICATION:

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns, and transfers unto

Please insert social security number or other tax identification number of assignee: [_____]

Name and address of assignee, including zip code: _____
_____ the within-

mentioned Bond and hereby irrevocably constitutes and appoints _____
attorney-in-fact, to transfer the same on the registration books thereof maintained in the
office of the within-mentioned Registrar with the full power of substitution in the
premises.

DATED: _____

BOND: The signature to this assignment must correspond with the name of the registered holder that is written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by a member firm of the New York
Stock Exchange or a commercial bank or trust company.

(b) There is hereby authorized to be issued general obligation bonds of the City in the aggregate principal amount of up to \$1,200,000 for municipal purposes as described in Section 2(b) above. The Project Bonds authorized herein shall be designated "General Obligation Bond (Capital Project), Series 2009A" (**the "Series A Project Bond"**) and "General Obligation Bond (Capital Project), Series 2009B" (**the "Series B Project Bond"**). The Series A Project Bond shall be issuable in the principal amount of \$205,100 as a fully registered Bond, without coupons, shall be dated the Closing Date, shall be numbered R-1, shall bear interest payable on the applicable Bond Payment Dates at a rate of 3.25% per annum. The Series B Project Bond shall be issuable in the principal amount not to exceed \$1,094,900 as a fully registered Bond, without coupons, shall be dated the Closing Date, shall be numbered R-1, shall bear interest payable on the applicable Bond Payment Dates at a rate of 4.50% per annum. The Project Bonds shall mature on their respective Bond Maturity Dates. Commencing on July 15, 2009, and continuing on each January 15 and July 15 thereafter, interest on the outstanding principal amounts of the Series A Project Bond shall be due and payable as set forth above, and commencing on July 15, 2009, and continuing on each July 15 thereafter, principal amounts of the Series A Project Bond shall be due in accordance with the Bank's written proposal to purchase the Series A Project Bond until the applicable Bond Maturity Date. Commencing on January 15, 2010, and continuing on each July 15 and January 15 thereafter, interest on the outstanding principal amounts of the Series B Project Bond shall be due and payable as set forth above, and commencing on July 15, 2010, and continuing on each July 15 thereafter, principal amounts of the Series B Project Bond shall be due in accordance with the Bank's written proposal to purchase the Series B Project Bond until the applicable Bond Maturity Date. The Project Bonds are subject to redemption prior to maturity at the option of the Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of the Project Bond to be redeemed, plus interest accrued to the redemption date.

The Project Bonds are hereby authorized to be issued under the City Charter and the Act. The Project Bonds shall bear interest from the date on which they are authenticated. Interest on the Project Bonds shall be computed on the basis of 30-day months and a 360-day year.

Principal of, and interest on, the Project Bonds shall be payable in lawful money of the United States of America. Principal of and interest on the Project Bonds shall be payable by check or draft mailed to the registered owner thereof at its address.

The Project Bonds shall be printed, lithographed or typewritten and shall be substantially in the form herein below set forth, with such appropriate variations, omissions and insertions as are permitted or required by this Ordinance, including such variations, insertions and omissions as shall be necessary to issue the Project Bonds under a system of book-entry for recording the ownership and transfer of ownership of rights to receive payments of principal of and interest on the Project Bonds and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto.

If any principal of, or interest on, the Project Bonds is not paid when due (whether at maturity, by acceleration or call for redemption, or otherwise), then, to the extent permitted by law, the overdue installments of principal shall bear interest until paid at the same rate or rates as set forth in the Project Bonds.

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The Project Bonds shall be signed by the facsimile or manual signature of the Mayor. The facsimile of the City's seal shall be printed thereon or manually impressed thereon and attested by the facsimile or manual signature of the Clerk. In case any officer whose signature or facsimile of whose signature shall appear on a Project Bond shall cease to be such officer before delivery of the Project Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he remained in office until such delivery. The Project Bonds may bear the facsimile signature of or may be signed by such persons as at the actual time of the execution thereof shall be the proper officers to sign the Project Bonds although on the date of delivery of the Project Bonds such persons may not have been such officers.

The Project Bonds shall bear a certificate of authentication, in the form set forth below, duly executed by the Registrar. The Registrar shall authenticate the Project Bonds with the signature of an authorized officer of the Registrar. Only the authenticated Project Bonds shall be entitled to any right or benefit under this Ordinance, and such certificate on the Project Bonds issued hereunder shall be conclusive evidence that the Project Bonds have been duly issued and is secured by the provisions hereof.

The Paying Agent shall act as Registrar and shall maintain Registration Books for the registration and the registration of transfer of the Project Bonds. The City Treasurer is hereby designated and authorized to act as Paying Agent and Registrar hereunder. The transfer of the Project Bonds may be registered only on the books kept for the registration and registration of transfer of the Project Bonds upon surrender thereof to the Registrar together with an assignment duly executed by the registered Bondholder in person or by his duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such transfer, the City shall execute and the Registrar shall authenticate and deliver, in exchange of the Project Bonds, a new registered Project Bond registered in the name of the transferee of the same series, maturity and interest rate as the Project Bond so exchanged in any denomination or denominations authorized by this Ordinance.

The Registrar shall not be required to make any such registration or registration of transfer during the thirty (30) days immediately preceding any Bond Payment Date or a redemption date.

Prior to due presentment for registration of transfer for the Project Bonds, the Registrar shall treat the registered Project Bondholder as the person exclusively entitled to payment of principal of, premium, if any, and interest on, the Project Bonds and the exercise of all other rights and powers of the Project Bondholder.

If a Project Bond has been mutilated, lost or destroyed, the City shall execute and the Registrar shall authenticate and deliver a new Project Bond of like date and tenor in exchange or substitution for, and upon cancellation of, such mutilated Project Bond or in lieu of and in substitution for such lost or destroyed Project Bond; provided, however, that the City and the Registrar shall execute, authenticate and deliver such Project Bond only if the Project Bondholder has paid the reasonable expenses and charges of the City and the Registrar in connection therewith and, in the case of a lost or destroyed Project Bond, has furnished to the City and the Registrar (a) evidence satisfactory to them that such Project Bond was lost or destroyed and the Project Bondholder was the Owner thereof and (b) indemnity satisfactory to them. If the Project Bond has matured, instead of issuing a new Project Bond, the Registrar may pay the same without surrender thereof upon receipt of the aforesaid evidence and indemnity.

If a Project Bond has been paid (whether at maturity, by acceleration or otherwise) or delivered to the Paying Agent for cancellation, the Project Bond shall not be reissued and the Registrar shall, unless otherwise directed by the City, cremate, shred or otherwise dispose of the Project Bond. The Registrar shall deliver to the City a certificate of any such cremation, shredding or other disposition of the Project Bond.

CUSIP identification numbers may be printed on the Project Bonds, but such numbers shall not be deemed to be a part of the Project Bonds or a part of the contract evidenced thereby and no liability shall hereafter attach to the City or any of the officers or agents thereof because or on account of said CUSIP numbers.

The Project Bonds, the Certificate of Authentication and the provision for the assignment to be inserted in the Project Bond shall be substantially in the following form, to-wit:

"FORM OF PROJECT BOND"

No. R-1

UNITED STATES OF AMERICA COMMONWEALTH OF VIRGINIA, CITY OF MARTINSVILLE

GENERAL OBLIGATION BOND (Capital Project) SERIES 2009[A][B] Dated: _____, 2009

Registered Holder:

CARTER BANK & TRUST

Principal Sum: \$ _____

Interest Rate: _____%

Maturity Date: July 15, 20__

KNOW ALL MEN BY THESE PRESENTS, that the City of Martinsville, Virginia (**hereinafter sometimes referred to as the "City"**), a City of the Commonwealth of Virginia, for value received hereby promises to pay to the registered holder (named above), or assigns, subject to prepayment or prior redemption as hereinafter provided, the principal amount of _____ (\$ _____), in annual installments in the amounts set forth on Schedule A attached hereto payable on _____ and annually on _____ thereafter to and including _____, 20__, together with interest from the date of this bond on the unpaid principal balance, payable semi-annually on _____ and _____ of each year, commencing on _____, at the rate of _____% per annum, as set forth in Schedule A attached hereto.

Both principal of and interest on this Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

It is hereby certified, recited and declared that all acts, conditions and things required to have happened, to exist and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due time, form and manner as required by law; that this Bond does not exceed any constitutional, statutory or charter limitation of indebtedness; and that provision has been made for the payment of the principal of, and interest on, this Bond as provided in the Ordinance.

No registration, transfer or exchange of this Bond shall be permitted within thirty (30) days of the Maturity Date or the date of prepayment or redemption of this Bond.

This Bond is in the aggregate principal amount of \$ _____, and is issued under and pursuant to and in compliance with the Constitution and laws of the Commonwealth of Virginia, including the City Charter of the City of Martinsville, Virginia and Chapter 26, Title 15.2 of the Code of Virginia of 1950, as amended, the same being the Public Finance Act, and the Ordinances duly adopted under said Chapter by the City Council on April 14, 2009 and April 28, 2009 (**together, the "Ordinance"**) and the Financing Agreement between the City and Carter Bank & Trust dated as of May 1, 2009 (**the "Financing Agreement"**).

This Bond shall bear interest from the date on which this Bond is authenticated. Interest on this Bond shall be computed on the basis of 30-day months and a 360-day year.

This Bond is transferable only upon the registration books kept at the office of the Registrar by the registered holder hereof, or by his duly authorized attorney, upon surrender of this Bond (together with a written instrument of transfer, satisfactory in form to the Registrar, duly executed by the registered holder or his duly authorized attorney, which may be the form endorsed hereon) and subject to the limitations and upon payment of the charges, if any, as provided in the Ordinance, and thereupon as provided in the Ordinance a new Bond, in the aggregate principal amount and of the same series, interest rate and maturity as the Bond surrendered, shall be issued in exchange therefor. The City and the Registrar shall deem and treat

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the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes whatsoever.

The Bond is subject to prepayment or redemption prior to maturity at the option of the City Council at any time, in whole or in part, at a redemption price equal to 100% of the principal amount of Bond to be redeemed, plus interest accrued to the redemption date. The records of the Holder hereof shall be prima facie evidence of the amount of principal and interest owed hereunder.

THIS BOND IS A GENERAL OBLIGATION OF THE CITY FOR THE PAYMENT OF WHICH THE CITY'S FULL FAITH AND CREDIT ARE IRREVOCABLY PLEDGED. THE CITY COUNCIL IS AUTHORIZED AND REQUIRED TO LEVY AND COLLECT ANNUALLY AT THE SAME TIME AND IN THE SAME MANNER AS OTHER TAXES OF THE CITY ARE ASSESSED, LEVIED AND COLLECTED, A TAX UPON ALL TAXABLE PROPERTY WITHIN THE CITY, OVER AND ABOVE ALL OTHER TAXES AUTHORIZED OR LIMITED BY LAW AND WITHOUT LIMITATION AS TO RATE OR AMOUNT, SUFFICIENT TO PAY WHEN DUE THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE BOND, TO THE EXTENT OTHER FUNDS OF THE CITY ARE NOT LAWFULLY AVAILABLE AND APPROPRIATED FOR SUCH PURPOSE.

Reference is hereby made to the Ordinance and to all of the provisions thereof to which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and nature and extent of the security for the Bond; the conditions upon which the Ordinance may be amended or supplemented without the consent of the holder of this Bond and upon which it may be amended only with the consent of the holder of the Bond affected thereby; the rights and remedies of the holder hereof with respect hereto; the rights, duties and obligations of the City; the provisions discharging the Ordinance as to this Bond and for the other terms and provisions of the Ordinance.

This Bond shall not be valid or obligatory for any purpose unless the certificate of authentication hereon has been duly executed by the Registrar and the date of authentication inserted hereon.

IN WITNESS WHEREOF, the City of Martinsville, Virginia, by its City Council has caused this Bond to be signed by the Mayor and attested by the Clerk of said Council, by their manual or facsimile signatures, and its seal to be impressed or imprinted hereon, and this Bond to be dated as set forth above.

(SEAL)

Clerk of the City Council

Mayor of the City of Martinsville
CERTIFICATE OF AUTHENTICATION

This Bond is the Bond described in the within-mentioned Ordinance.

REGISTRAR - CITY OF MARTINSVILLE TREASURER

By: _____
Martinsville City Treasurer

DATE OF AUTHENTICATION:

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns, and transfers unto

Please insert social security number or other tax identification number of assignee: [_____]
Name and address of assignee, including zip code: _____

_____ the within-mentioned Bond and hereby irrevocably constitutes and appoints _____ attorney-in-fact, to transfer the same on the registration books thereof maintained in the office of the within-mentioned Registrar with the full power of substitution in the premises.

DATED: _____

BOND: The signature to this assignment must correspond with the name of the registered holder that is written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Section 4 Creation of Proceeds Fund

There is hereby established a trust fund to be designated the "Bond Proceeds Fund, City of Martinsville General Obligation Bond (Capital Project), Series 2009."

Section 5 Payments into Proceeds Fund

(a) All funds received from the proceeds of the sale of the Refunding Bonds after payment of certain costs of issuance of the Bond shall be used to refund the Refunding Bonds on the Closing Date in accordance with the Financing Agreement and applicable law.

(b) All funds received from the proceeds of the sale of the Project Bonds after payment of certain costs of issuance of the Bond shall be deposited into the Proceeds Fund to pay costs of the Project in accordance with the Financing Agreement and applicable law.

Section 6 Creation of Bond Fund

There is hereby established a trust fund to be designated the "Bond Fund, City of Martinsville General Obligation Bonds, Series 2009" in which Bond Fund there is hereby established an Interest Account and a Principal Account. As and when received, monies shall be deposited into the Bond Fund, and payments from the Bond Fund shall be made as follows:

- (i) to the Interest Account in the Bond Fund, subject to credit, if any, for proceeds of the Bonds deposited therein, on the Business Day prior to each Bond Payment Date, an amount equal to the amount of interest that will become due on the Bonds on the next succeeding Bond Payment Date; and
- (ii) to the Principal Account in the Bond Fund on the Business Day prior to each Bond Payment Date an amount equal to the principal that is required to be deposited into the Principal Account in order to pay the principal due on the Bond on the next succeeding Bond Payment Date.

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Section 7 Accounts Within Funds

Any fund or account created by this Ordinance may contain such accounts or subaccounts as may be necessary for the orderly administration thereof.

Section 8 Investment of Funds

(a) The City shall separately invest and reinvest any monies held in the funds established by this Ordinance in investments which would mature in amounts and at times so that the principal of, premium, if any, and interest on, the Bond can be paid when due at maturity thereof.

(b) Permissible investments include investments in securities that are legal investments under Chapter 45 of Title 2.2 of the Code of Virginia of 1950, as amended (Section 2.2-4500 et seq.) and which are otherwise in compliance with Section 15.2-2619 of the Act.

Section 9 Defeasance

The obligations of the City under this Ordinance and covenants of the City provided for herein shall be fully discharged and satisfied as to the Bonds and the Bonds shall no longer be deemed to be Outstanding hereunder when the Bonds shall have been purchased by the City and canceled or destroyed, when the payment of principal of the Bonds, plus interest on such principal to the due date thereof either (a) shall have been made or (b) shall have been provided for by irrevocably depositing with a financial institution acting as escrow agent selected by the Paying Agent for the Bonds, money sufficient to make such payment, or direct and general obligations of, or obligations the principal of, and interest on, which are guaranteed by, the United States of America, maturing in such amounts and at such times as will insure the availability of sufficient monies to make such payment.

Section 10 General Obligation

The Council, in accordance with Section 7 of Chapter 11 of the City Charter and Section 15.2-2624 of the Act, is hereafter authorized and required to levy and collect annually, at the same time and in the same manner as other taxes of the City are assessed, levied and collected, a tax upon all taxable property within the City, over and above all other taxes, authorized or limited by law and without limitation as to rate or amount, sufficient to pay when due the principal of and premium, if any and interest on the Bonds, to the extent other funds of the City are not lawfully available and appropriated for such purpose.

Section 11 Event of Default

Each of the following shall constitute an event of default hereunder as to any particular Bond:

- (a) Failure to pay the principal of the Bond when due;
- (b) Failure to pay interest on the Bond when due;
- (c) Failure of the City to perform any other covenant or agreement contained in this Ordinance, which failure shall have continued for 60 days after the notice thereof from the Bondholder; provided, however, that if any such failure shall be such that it cannot be cured or corrected within a 60-day period but is, in fact, susceptible of cure or correction, it shall not constitute an Event of Default if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected;
- (d) The instituting of any proceeding with the consent of the City for the purpose of effecting composition between the City and its creditors or for the purpose of reducing the claims of creditors pursuant to any federal or state statute; or

(e) If the City for any reason shall be rendered incapable of fulfilling its obligations under this Ordinance as to the Bond. Upon the occurrence of an Event of Default, the Bondholder may declare the principal of the Outstanding Bond and all accrued and unpaid interest thereon to be due and payable immediately. This provision is subject to the condition that if, at any time after such declaration and before any such further action has been taken, all arrears of interest on, and principal of, the Bond shall have been paid and all other Events of Default, if any, which shall have occurred have been remedied, then the Bondholder may waive such default and annul such declaration.

In case an Event of Default shall occur, subject to the provisions referred to in the preceding paragraph, the Bondholder shall have the right to protect the rights vested in such Bondholder by the Ordinance by such appropriate judicial proceeding as such Bondholder shall determine either by suit in equity or by action at law. Enforcement by Bondholder

The Bondholders may by mandamus or other appropriate proceeding at law or in equity in any court of competent jurisdiction, enforce and compel performance of this Ordinance and every provision and covenant thereof concerning the Bonds, including without limiting the generality of the foregoing, the enforcement of the performance of all obligations and duties and requirements to be done or performed by the City by the Ordinance or by the applicable laws of the Commonwealth as to the Bonds.

Section 12 Modification of Bond Ordinance

The City may without the consent of the Bondholder make any modification or amendment of this Ordinance required to cure any ambiguity or error herein contained or to make any amendments hereto or to grant to the Bondholder additional rights. The Bondholder shall have the power to authorize any modifications to this Ordinance proposed by the City other than as permitted above; provided that without the consent of the Bondholder affected thereby, no modifications shall be made which will (a) extend the time of payment of principal of, or interest on, a Bond or reduce the principal amount thereof or the rate of interest thereon; (b) give to a Bond any preference over any other bond secured equally and ratably therewith; (c) deprive the Bondholder of the security afforded by this Ordinance, or (d) reduce the percentage in principal amount of a Bond required to authorize any modification to the Ordinance.

Section 13 Application of Proceeds; Sale of Bond

Proceeds derived from the sale of the Bonds together with other monies available therefor shall be used to pay the costs of issuance and other expenses of the City relating to the issuance of the Bonds and thereafter any remaining funds to be deposited in the Bond Proceeds Fund shall be used for the purposes specified in Section 2 of this Ordinance and otherwise used in accordance with the provisions of this Ordinance or an opinion of Bond Counsel. Interest accruing on the principal of the Proceeds Fund and any profit realized from it may be transferred to the Bond Fund to be applied to the payment of interest on the Project Bond during the acquisition, construction, improvement and equipping of the Project.

Section 14 No Arbitrage Covenant and Covenants and Designations as to the Code

The City hereby covenants that it will not use or invest, or permit the use or investment of any proceeds of the Bonds in a manner that would cause the Bonds to be subjected to treatment under Section 148 of the Code and the regulations adopted thereunder as an "arbitrage bond," and to that end the City shall comply with applicable regulations adopted under said Section 148 of the Code.

The City covenants to comply with the Code provisions requiring that any issuance of "governmental bonds," as defined therein, be subject to certain requirements as to rebate and timing and type of payments to be paid for from the proceeds of such bonds, as well as other additional

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requirements. In order to assure compliance with such Code provisions, the City will enter into a Compliance Certificate, to comply with such requirements and covenants therein that it will not breach the terms thereof.

The Council, on behalf of the City, hereby designates the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Code and certifies by this Ordinance that it does not reasonably anticipate the issuance by it or its subordinate entities of more than \$30,000,000 in "qualified tax-exempt obligations" during the calendar year 2009 and will not designate, or permit the designation by any of its subordinate entities of, any of its notes or bonds (or those of its subordinate entities) during the calendar year 2009 which would cause the \$30,000,000 limitation of Section 265(b)(3)(D) of the Code to be violated.

Section 15 Further Actions Authorized; Approval of Documents

The Mayor and Clerk of the Council and the City Manager, City Treasurer, City Attorney, Bond Counsel, the City's financial advisor and all other officers, employees and agents of the City are hereby authorized and directed to take any and all such further action and to execute and deliver such other documents, certificates, undertakings, agreements or other instruments as shall be deemed necessary or desirable in order to effectuate delivery of, and payment for the Bonds and the refunding of the Refunded Bonds, all in accordance with the Ordinance, including but not limited to providing notices and irrevocable instructions regarding redemption of the Refunded Bonds, the execution and delivery of forms 8038-G as determined necessary by bond counsel and Non-Arbitrage Certificate and Tax Covenants and the making of any elections such officers, employees and agents deem desirable regarding any provision of the Code or regulations promulgated thereunder. The Financing Agreement shall be in substantially the form submitted to this meeting, which is hereby approved, with such completions, omissions, insertions, changes and revisions as may be approved by the officer executing them in his sole and absolute discretion, his execution thereof to constitute conclusive evidence of his approval of any such completions, omissions, insertions, changes and revisions.

Section 16 Invalidity of Sections

If any section, paragraph, clause or provision of this Ordinance shall be held invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining portions of this Ordinance.

Section 17 Headings of Sections, Table of Contents

The headings of the sections of this Ordinance and the Table of Contents appended hereto or to copies hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of such sections of this Ordinance.

Section 18 Effectiveness and Filing of Ordinance

The Council hereby declares that this Ordinance shall become effective upon its passage as provided for in the Act and pursuant to Section 3 of Chapter 3 of the City Charter. A certified copy of this Ordinance shall be filed by the Clerk with the Clerk of the Circuit Court of the City of Martinsville, Virginia. The filing of this Ordinance with the Clerk of the Circuit Court of the City of Martinsville, Virginia shall be deemed to be the filing of an initial resolution or ordinance with such Court for all purposes of the Act.

The Members of the Council voted as follows:

<u>Ayes</u>	<u>Navs</u>
<u>Absent</u>	<u>Abstentions</u>

Adopted this 28th day of April, 2009.

The undersigned Clerk of the City Council of the City of Martinsville, Virginia hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the City Council held on April 28, 2009, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly called meeting and that, during the consideration of the foregoing ordinance, a quorum was present.

Dated this ___ day of _____, 2009.

Clerk, City Council of
City of Martinsville, Virginia

On a motion by Gene Teague, seconded by Kimble Reynolds, Council approved, with a 5-0 vote, the following consent agenda:

BUDGET ADDITIONS FOR 04/14/2009

ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
FY09				
GENERAL FUND				
01100905	450209	Sale of Salvage/Surplus		6,013
01413148	508205	Street Cleaning - Motor Vehicles/Equipment	6,013	
		This is to appropriate the funds received from the sale of a tractor in order to purchase a new mower.		
01101917	442601	Categorical Other - State - EMS 4 for Life		2,186
01322105	506114	Emergency Med Services - 4 for Life	2,186	
		This is to appropriate the additional funds received from the State over the original budget of \$9,500		
Total General Fund:			8,199	8,199
Water Fund				
12100909	418104	Recovered Costs		5,309
12544314	506008	Water Construction - Vehicle Equip & Maint	5,309	
		This is to appropriate the funds received from our auto insurance to cover repairs to vehicle damaged in accident.		
Total Sewer Fund:			5,309	5,309

April 14, 2009

Commissioner of Revenue Ruth Easley reported that under the provision of the Exemption Ordinance enacted by Council in January 2007, any entity that does not clearly fall into any exemption category granted by the Code of Virginia must request an exemption approval from the City Council in the form of an exemption ordinance. In order for the exemption request to be considered by Council as part of the annual budget deliberations, the requesting entity must have submitted an exemption application to the Commissioner of the Revenue by November 1, 2008. The Commissioner of the Revenue referred the applications received to the City Manager along with a report of the revenue impact that any possible exemption may have. The City Manager appointed a review committee consisting of himself, Mayor Lawson, the City Commissioner of the Revenue, the City Treasurer, and the Assistant Finance Director to review the 1 application received. Council must set a public hearing to review the applications and act on the request of Southern Area Agency on Aging. On a motion by Gene Teague, seconded by Mark Stroud, Council agreed to set a public hearing for the April 28, 2009 Council meeting to review the application requesting local tax exemption.

Quarterly reports from outside agencies that received FY09 funding were included in Council's agenda packets for review. Council Member Teague asked that Council consider asking these agencies to come in once a year and report to Council and the Mayor said this will be discussed during the budgeting process.

Jim Tobin reported the Piedmont Regional Community Services Board was established in 1972 by Resolution of Martinsville City and the counties of Henry, Patrick, and Franklin. Two members serve the Board on behalf of Martinsville. With population changes since the Board's inception, PRCSB proposes changing the size of the Board from 12 members to 14, resulting in two additional Board members for Franklin County. If the proposed Resolution is passed by City Council, Martinsville's composition will remain at two members.

On a motion by Gene Teague, seconded by Danny Turner, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council approved the following resolution changing the Board composition of the Piedmont Regional Community Services Board from 12 members to 14 members:

April 14, 2009

RESOLUTION CONCERNING THE COMPOSITION OF THE PIEDMONT REGIONAL COMMUNITY SERVICES BOARD

WHEREAS, Section 37.2-501 of the Code of Virginia, 2008, directs that “when any combination of counties and cities establishes a community services board, the board of supervisors of each county or the council of each city shall mutually agree on the size of the board and shall appoint the members of the community services board;” and

WHEREAS, Piedmont Regional Community Services Board was established in 1972 by resolution of Martinsville city and the counties of Franklin, Patrick, and Henry pursuant to Title 37.2 of the Code of Virginia, 2008; and

WHEREAS, twelve Board of Directors members for Piedmont Regional Community Services Board were authorized – two from Martinsville; two from Patrick County; five from Henry County; and three from Franklin County; and

WHEREAS, population changes since 1972 indicate that an increase of Board of Directors members be made to maintain the purpose that “appointment to the community services board shall be broadly representative of the community” (Code of Virginia § 37.2-501); now therefore, BE IT RESOLVED by the Council of the City of Martinsville, Virginia, in conjunction with the local governments of the counties of Franklin, Henry, and Patrick that fourteen members shall be appointed – two from Martinsville; two from Patrick County; five from Henry County; and five from Franklin County. The change of total members from twelve to fourteen shall be effective July 1, 2009.

Council agreed to submit the following memberships on the Virginia Municipal League 2009 Policy Committees: Transportation-Vice Mayor Kimble Reynolds, Environmental Quality—Mayor Kathy Lawson, General Laws—Gene Teague, Community & Economic Development—Danny Turner, Human Development & Education—Mark Stroud.

No comments received during Business from the Floor.

Comments by Council members: Stroud—feels proper action was taken for DSS facility; Reynolds—reported our community was well represented at the National Conference of Black Engineers; Turner—disappointed that no water or sewer stimulus funds received in our area; Teague—asked that some graphs showing trends be incorporated in the building permit/inspection reports so they could see how things are changing over time; Lawson—reminded citizens of budget presentation on April 21, reported complaints she has received on trash and blight issues in the Uptown area especially during the past Monday which was a city holiday, numerous complaints have been made to her on some rental properties, blight ordinance should fine violators.

In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Gene Teague, seconded by Danny Turner, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council convened in Closed Session, for the purpose of discussing the following matter: (A) Appointments to Boards and Commissions as authorized by Subsection 1.

At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard,

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discussed, or considered during said Session. On a motion by Kimble Reynolds, seconded by Gene Teague, with the following 5-0 recorded vote: Mrs. Lawson, aye; Mr. Reynolds, aye; Mr. Stroud, aye; Mr. Teague, aye; and Mr. Turner, aye, Council returned to Open Session.

On a motion by Gene Teague, seconded by Mark Stroud, Council agreed to appoint Philip Neal Curran, 706 Grattan Road, to the Green Committee for an unspecified term.

There being no further business, Mayor Lawson adjourned the meeting at 9:36 PM.

Clarence C. Monday
Clerk of Council

Kathy C. Lawson
Mayor