

April 28, 2009

The regular meeting of the Council of the City of Martinsville, Virginia, was held on April 28, 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, Donna Odell, Ted Anderson, Iris Read, Ashby Pritchett, Ruth Easley, Sheriff Steve Draper and numerous other city personnel.

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

On a motion by Gene Teague, seconded by Kimble Reynolds, Council approved with a 5-0 vote, the minutes of the April 8, 2009 meeting.

Mayor Lawson read the following Building Safety Week proclamation and presented it to Ted Anderson, Building Official/Fire Marshal:

Whereas, vigilant guardians - building safety officials, fire prevention officials, architects, engineers, builders, tradesman, and others in the construction industry; work year round to ensure the safe construction of the buildings and these dedicated members of the International Code Council develop and implement the highest quality codes to protect people in the buildings where they *live, learn, work, and play*, and;

Whereas, the International Codes, the most widely adopted building safety and fire prevention codes in the nation, these modern codes include safeguards to protect the public from natural disasters such as hurricanes, snowstorms, wildland fires, and earthquakes; and

Whereas, the theme "*Building Safety: Where You Live, Work, and Play*", encourages all Americans to raise awareness of the importance of building safety; green and sustainable construction; deck, pool, spa, and hot tub safety; and new technologies in the construction industry; presents appropriate steps everyone can take to ensure that the places *where we live, learn, work, and play are safe*, and that countless lives have been saved due to the implementation of safety code by local and state agencies; and

Whereas, the dedicated safety professionals who work daily in the City of Martinsville to bring safety to our citizens in a holistic approach that includes partnerships with builders, architects, engineers, and designers; and

Now, Therefore, I, Kathy Lawson, Mayor of the City of Martinsville, do hereby proclaim May 3-9, 2009 as Building Safety Week in the City of Martinsville and encourage all citizens to join communities across America to participate in Building Safety Week.

Mayor Lawson read the following Public Service Recognition Week proclamation and presented it to Iris Read, Human Resources Manager:

WHEREAS, Americans are served every single day by public servants at the federal, state, county, and city levels. These unsung heroes do the work that keep our nation working; and

WHEREAS, public service is a noble and essential profession, filled with competent, ethical and hardworking individuals that provide services which improve our daily lives, contribute to the enrichment of our community and make the City of Martinsville a better place to live; and

WHEREAS, without these public servants at every level, continuity would be impossible in a democracy that regularly changes its leaders and elected officials; and

WHEREAS, Public Service Recognition Week has been celebrated since 1985; and

WHEREAS, the Martinsville City Council extends sincere appreciation to employees for their years of devoted service;

NOW, THEREFORE BE IT RESOLVED that the Martinsville City Council does hereby proclaim May 4th through May 8th as PUBLIC SERVICE RECOGNITION WEEK in the City of Martinsville and encourage all citizens to recognize the accomplishments and contributions of government employees who help improve our lives and safeguard our country

Mayor Lawson read the following National Correctional Officers Week proclamation and presented it to Sheriff Steve Draper:

WHEREAS, one of the primary goals for the City of Martinsville is to provide its citizens with an effective judicial system that concentrates on quality for all of our citizens; and

WHEREAS, the City of Martinsville's dedicated correctional officers are essential to the success of our judicial process, and our correctional officers' work includes daily exposure to a hostile environment with many of the most dangerous individuals in our society; and

WHEREAS, Correctional Officers contribute daily to the protection of our citizens by housing dangerous felons in a humane environment, often at great risk to the officers' own protection; and

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WHEREAS, the City of Martinsville is pleased to join with officials and distinguished correctional officers across America to recognize the achievements of these dedicated individuals. We are indebted to the International Association of Correctional Officers for continuing to emphasize the accomplishments of correctional officers worldwide; now, therefore

FOR THESE SIGNIFICANT REASONS, I, KATHY C. LAWSON, Mayor of the City of Martinsville, Virginia, do hereby proclaim May 3rd – May 9th, 2009 to be “CORRECTIONAL OFFICERS’ WEEK” in the City of Martinsville and commend this observance to all of our citizens.

Mayor Lawson called on Human Resources Manager, Iris Read, who introduced Tom McKay, Benefits Consultant with Keiter, Slabaugh, Penny & Holme who gave an overview of strategies and recommendations for going forward with the employee health care options. Mayor Lawson opened the floor for comments stating active employees would be allowed 10 minutes and retirees would be allowed 10 minutes for all comments. City Attorney Eric Monday told Council members to proceed with caution in discussing the issue because of some discussion of potential litigation against the city depending on Council’s decision. Two retirees, Charles Long and Jerry Brock, made comments on behalf of the retirees present. Council Member Stroud pointed out he wants the city and the employees to come to a common ground so we can move forward and everybody be covered. Council Member Teague pointed out it is clear that something different has got to be done. The following seven motions were made regarding the health care benefits FY09-10:

(1) Motion was made by Kimble Reynolds, seconded by Gene Teague, with a 4-1 vote, Mark Stroud casting the dissenting vote. Motion to implement, effective July 1, 2009, a single, High Deductible Health Plan (HDHP) (\$3,000 single deductible and \$6,000 for members covering dependents) available through Anthem Blue Cross Blue Shield for active and retired employees and to set the amount the City will contribute for participants, which is currently \$251 per month for active city employees and active school employees and a maximum of \$195 for retirees. Approved a 5% increase in the City’s contribution from \$251 to \$264 for active employees whose salary is less than \$35,000; level fund remaining active employees and retirees at a projected cost of \$94,000.

(2) Motion was made by Kimble Reynolds, seconded by Gene Teague, with a 3-1-1 vote, Mark Stroud abstaining and Danny Turner casting the dissenting vote. Motion that the city would absorb the one-time set-up fee for the Health Savings Account at a cost of \$15 employee with cost projection of \$9,030.

(3) Motion was made by Gene Teague, seconded by Kimble Reynolds, with a 3-1-1 vote, Mark Stroud abstaining and Danny Turner casting the dissenting vote.

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Motion that the City would absorb the monthly fee for the Health Savings Account at a cost of \$2.95 per employee with cost projection of \$21,311.

(4) Motion was made by Gene Teague, seconded by Kimble Reynolds, with a 4-1 vote, Mark Stroud abstaining. Motion to create and fund a Health Savings Account and Health Reimbursement Account for active City employees effective July 1, 2009 as recommended by the consultants.

(5) Motion was made by Kimble Reynolds, seconded by Gene Teague, with a 4-1 vote, Mark Stroud abstaining to front fund the Health Savings Account for all active employees, effective July 1, 2009 at the rate of \$720 for employees and \$1200 for employees with dependents available to be used immediately.

(6) Motion was made by Kimble Reynolds, seconded by Gene Teague, with a 4-1 vote, Mark Stroud abstaining. Motion to self-fund the Health Reimbursement Account at an estimated \$21.00 per employee per month.

(7) Motion was made by Gene Teague, seconded by Kimble Reynolds, with a 5-0 vote, to secure the services of an outside consultant to administer the Health Reimbursement Account for active employees at a monthly cost of \$4.00 per month or \$28,896.

City Manager Clarence Monday gave an overview of the projects in the Bond Ordinance and pointed out that staff recommendation is to pull out the courthouse renovations and municipal building improvements due to limited funds and to the balance the budget. Leon Towarnicki then gave an overview of the methane gas project at the landfill. This project is proposed for two stages, one for putting in methane capturing system and one for electric generation and other revenue opportunities. Leon pointed out we are working to attract stimulus funding on this and Congressman Perriello is very interested. Council agreed to declare this project in two phases after the City Manager pointed out that declaring the landfill project in two phases will make it more attractive for using stimulus funds for phase two. Mayor Lawson opened the public hearing for public comment. There being no comment, the Mayor 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 second reading, the following Bond Ordinance for amount of

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\$5,266,700 for all the projects except municipal building improvements and courthouse improvements:

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

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, 2019 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
- (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

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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 City landfill improvements and acquisition of a truck, all 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.

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 presentment 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

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

Dated: _____, 2009

No. R-1

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, 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)

April 28, 2009

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 \$190,000 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 \$770,100 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 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.

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

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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

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 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 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.

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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.

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.

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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 thereunder 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.

Section 12 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 13 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 14 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 15 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 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 16 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

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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 17 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 18 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 19 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:

Aves

Mayor Kathy C. Lawson
Vice Mayor Kimble Reynolds, Jr.
Council Member Mark Stroud, Sr.
Council Member Gene Teague
Council Member Danny Turner

Navs

Absent

Abstentions

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

Ruth Easley, Commissioner of Revenue, explained that under the provisions 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 application 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 application received. The economic impact from Southern Area Agency on Agency personal property taxes would be \$2,904.65 and the agency does receive \$1,773 from the city for their agency funding. Ms. Easley briefed Council on the exemption criteria and

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the committee's recommendation on each as follows: is 501(c)(3) designation; organization does not have an annual ABC license; the 3 highest paid employees who are also the organization's officers and/or directors salaries total \$138,070; significant portion of services provided are generated by state and federal grants (\$1,773 from City in FY2009); the organization has a contract with federal and state agencies to provide services such as home delivered meals, emergency services; no substantial part of activities is to influence legislation or campaign on behalf of a political candidate; personal property tax revenue impact \$2,904.65; agency also receives payments based on a sliding scale for services rendered. The committee recommendation is: Though the organization is considered a non-profit organization for federal income tax purposes, it is the consensus of the Exemption Review Committee that the Southern Area Agency on Aging should not be granted an exemption as they are paid through federal and state contracts to provide the services stated in their mission statement. In addition, the organization also charges for their services on a sliding scale, much the same way that a for-profit business that contracts for such services would. There is no state exemption classification that would allow for an exemption unless the locality specifically grants one.

The Mayor opened the public hearing. Teresa Carter spoke to Council regarding services provided by the agency with transportation and home delivered meals being their main focus. It was pointed out that their vehicles are funded through federal grants. The Mayor then closed the public hearing. The Mayor asked for a motion and no motion was made so the request for exemption by Southern Area Agency on Aging was not granted due to lack of a motion.

After an overview from Wayne Knox regarding the CDBG application for the Martinsville Novelty project at 900 Rives Road, the Mayor opened the public hearing. There being no comments, the Mayor closed the public hearing. No Council action required as this was a housekeeping measure. It was pointed out that a favorable recommendation has been received from West Piedmont Planning District Commission.

Deputy Chief Robert Ramsey reported the \$38,558 JAG Local Solicitation (Byrne Stimulus Grant 2009 Local Salutation) will be used to enhance and improve

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the city police electronic document management system allowing officers as well as staff to be more efficient. The grant will be used to purchase 4 complete field reporting systems, 12 desktop computers, 3 laptops and 7 mobile data laptops. No matching funds are required. One of the grant requirements is a period of public comments. Mayor Lawson opened the floor for public comments on the grant and no comments were made. Council agreed to proceed with the grant.

Linda Conover presented the monthly finance report as follows:

Comparison of Revenues & Expenditures for March 2009, FY09

Through the end of March 2009, revenues were less than the anticipated budget by \$419,402. Overall expenditures were \$490,774 less than anticipated through the end of March.

Combined Balance Sheet

The overall fund balance decreased by \$967,449 through the end of March when compared to the beginning of the fiscal year, bringing our total combined fund balances to \$14,749,620. This decrease is \$434,910 less than at the end of February, and represents approximately 2.7% of Fiscal Year 2008's total fund balance of \$15,717,069.

Projected Fund Balance

Based on the FY09 year-end projections provided through the FY10 budget preparation process, the projected fund balance FOR CITY FUNDS ONLY at June 30, 2009 is expected to be \$10,789,904. This is a decrease of \$2,771,251 from the final audited figure of \$13,651,155 at the end of FY08. The re-appropriations of \$1,649,874 and the timing of funding for the Special Revenue funds account for the majority of this decrease. Again, this is just the City's funds. City School staff has not yet provided their FY09 year-end projections to be included in the overall summary. Hopefully, these amounts will be included in the next report for April, in order to provide a more accurate forecast.

On a motion by Kimble Reynolds, seconded by Gene Teague, with a 5-0 vote, Council approved the monthly finance report.

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

BUDGET ADDITIONS FOR 04/28/2009

ORG	OBJECT	DESCRIPTION	DEBIT	CREDIT
<u>FY09</u>				
<u>GENERAL FUND</u>				
01102926	436424	Categorical Federal - Info Technology Grant		37,500
01311085	508214	Police Department - Info Technology	37,500	
		This is to appropriate the funds received from the Federal Government in October 2008.		
Total General Fund:			37,500	37,500

On a motion by Kimble Reynolds, seconded by Gene Teague, with a 5-0 vote, Council adopted the following resolution regarding Kerr Lake Regional Water System Interbasin Transfer Request:

RESOLUTION Regarding Kerr Lake Regional Water System Interbasin Transfer Request

WHEREAS, the citizens of the City of Martinsville want and deserve access to fresh water for good health and for recreational opportunities, and are fortunate to live within the Roanoke River basin area which provides both water and recreation; and
WHEREAS, the natural and cultural resources of our basin include the entire river system and its drainage area, including surface and ground water supplies; and
WHEREAS, the withdrawal of surface or ground water to supply out-of-basin uses permanently removes water from the Roanoke River Basin; and
WHEREAS, permanent removal of surface or ground water from the basin reduces water supplies available to serve existing and future residential, commercial, industrial, agricultural, and recreational uses within the basin; and
WHEREAS, permanent loss of water by an interbasin transfer from the river basin creates negative economic impacts, including negative environmental, recreational, cultural, and aesthetic impacts; and

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WHEREAS, the communities of the Roanoke River basin must preserve existing water resources of the basin to meet their current demands and to ensure availability to support future economic growth within the basin;

NOW THEREFORE BE IT RESOLVED, that the City of Martinsville is opposed to the transfer of ground or surface water from the Roanoke River basin, including any of its tributary streams and rivers, to support uses outside the watershed of the Roanoke River basin.

The City Manager pointed out that Henry County and the West Piedmont Planning District Commission have also adopted similar resolutions.

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 the following ordinance on second reading to amend the Historic District Design Guidelines on a recommendation from the Planning Commission:

City of Martinsville, Virginia Ordinance No. 2009-_____

BE IT ORDAINED by the Council of the City of Martinsville, Virginia, in Regular Session held on _____, 2009.

Historic Guidelines.

Whereas, the City Council has previously adopted Section XXV of Appendix B of the Zoning Code for the City of Martinsville, addressing criteria for the establishment and administration of Historic Districts; and

Whereas, the Architectural review Board has promulgated guidelines in accordance with the Section establishing criteria to be reviewed by the Board before the issuance of Certificates of Appropriateness and a Building Permit for any construction in such districts; and

Whereas, the Planning Commission has previously approved such guidelines,

NOW therefore be it ordained by the City Council of Martinsville, Virginia, convened in regular session that the Historic District Guidelines are presumed by Council to be in conformity with Section XXV of Appendix B of the City Code, and enforceable thereunder.

On a motion by Gene Teague, seconded by Danny Turner, with a 5-0 vote, Council agreed to set a public hearing for May 12, 2009 on a recommendation from the Martinsville Planning Commission to rezone a portion of the former site of Martinsville Novelty, located at 900 Rives Road (known as 53(05)00/03, 03A on the Tax Map of the City of Martinsville) from M-2 Manufacturing to R-9 Residential and to grant a special use permit, with conditions to allow rehabilitation and retrofitting of this former manufacturing site in to 60 multi-family apartment units.

Business from the floor: Lonnie Carter spoke against the proposed FY10 garbage rate increase stating citizens are not going to be able to afford the increase. Wayne Knox spoke on behalf of the Stuart Hairston Sons of Confederacy stating the organization wishes to apply again for the exemption.

Comments by Council members: Reynolds—encouraged by interest in community garden project; Stroud—reported positive outcome of today's missing patient who was using Project Lifesaver and he encouraged citizens to contact the Sheriff's office for more information; Turner—reported local D-Day veterans will be taken to D-Day Memorial and this will be sponsored by local businesses; Teague—asked that Ruth Easley look into the feasibility of an incentive program to improve homes by not taxing that improvement for a period of time. Lawson—reported the

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Bell brothers recognition is to be held May 2 at the fire station; reported she is excited to see urban gardens come to fruition; reported citizens feel the Paradise Inn structure needs to be secured; pointed out need for planting another row of evergreen trees behind the trees already planted at Academy Place.

Comments by City Manager: Clarence Monday reminded citizens of the two upcoming budget work sessions on May 5 and May 13, both to be held at 7:00 pm.

The Closed Session originally scheduled was not needed at this meeting.

There being no further business, Mayor Lawson adjourned the meeting at 9:35 pm.

Clarence C. Monday
Clerk of Council

Kathy C. Lawson
Mayor