

**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
GENERAL OBLIGATION BONDS, SERIES 2015
OF THE CITY OF HARRISONBURG, VIRGINIA,
AND PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF**

The City of Harrisonburg, Virginia (the "City") wishes to issue its general obligation bonds to (a) finance all or a portion of the costs of (i) Reservoir Street road improvements from University Boulevard to the southern City limit, (ii) the replacement of the Pleasant Valley Road bridge, (iii) fire station number 1 renovations and (iv) a new water tank together with land acquisition, a new pump station, water lines and related infrastructure (collectively, the "Project") and (b) pay the costs of issuing the bonds.

The City is a political subdivision of the Commonwealth of Virginia, and pursuant to the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia of 1950, as amended (the "Act"), the Council of the City (the "Council") is authorized to contract debts on behalf of the City and to issue, as evidence thereof, bonds, notes or other obligations payable from pledges of the full faith and credit of the City.

At a meeting duly called and held on November 24, 2015, the Council held a public hearing with respect to the issuance of the City's general obligation bonds in one or more series from time to time in an aggregate principal amount not to exceed \$10,000,000 to finance, pursuant to the Act, a portion of the costs of the Project and the costs of issuance.

At the present time, the Council wishes to authorize the issuance of such general obligation bonds, and the Council has received proposals from several financial institutions in connection with the purchase thereof.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF
THE CITY OF HARRISONBURG, VIRGINIA:**

1. Finding of Necessity for Project and Issuance of Bonds. It is hereby determined to be necessary and expedient for the City to undertake the Project, which will benefit the City and its citizens. It is also hereby determined to be necessary and expedient for the City to borrow money by issuing its general obligation bonds in a maximum aggregate principal amount not to exceed Ten Million Dollars (\$10,000,000) (the "Bonds") to finance a portion of the cost of the Project and the costs of issuing the Bonds.

2. Selection of Winning Proposal. After consideration of the methods of sale of the Bonds and the proposals received from various financial institutions, it is hereby determined that it is in the best interest of the City to accept, and the City does hereby accept, the proposal of American National Bank and Trust Company (the "Bank") to purchase the Bonds, such offer being contained in a letter from the Bank (the "Winning Proposal"). The Mayor, the Vice Mayor and the City Manager of the City, any of whom may act, are each hereby authorized and directed to accept the Winning Proposal and to evidence such acceptance in such manner as may be requested by the Bank.

3. Details of Bonds. The Council hereby authorizes the issuance and sale of the Bonds in the form and upon the terms set forth herein. The Bonds shall be dated the date of their issuance, shall be in the form of a single fully registered bond for each series without coupons registered as to both principal and interest in the name of the Bank, shall be designated “General Obligation Bonds, Series 2015” with such serial designation as shall be appropriate and determined by the Mayor or Vice Mayor, shall be in an aggregate principal amount not to exceed \$10,000,000, and shall be numbered as determined by the Mayor or Vice Mayor. Interest shall accrue on the Bonds at interest rates per year not-to-exceed 2.42%. Interest on the Bonds shall be payable semi-annually on each February 1 and August 1 commencing on August 1, 2016 and continuing through maturity. Principal shall be payable annually on each August 1 commencing on August 1, 2016 and continuing on each August 1 through maturity, in amounts that will be more particularly set forth in the Bonds. If not sooner paid, all principal of and interest on the Bonds shall be due and payable on the maturity date. The Bonds shall be substantially in the form attached hereto as Exhibit A, with such changes, omissions and insertions as may be approved by Bond Counsel and by the Mayor and Vice Mayor, either of whom may act, such approval to be evidenced conclusively by the execution and delivery of the Bonds. The Bonds may be issued in multiple series and from time to time.

Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. All payments made on the Bonds shall be applied first to accrued interest and then to principal. If the payment date of any payment due under the Bonds would fall on a day on which commercial banks are authorized or required to close in the Commonwealth of Virginia, then payment need not be made on such date, but may be made on the next succeeding business day, and if made on such next succeeding business day, no additional interest shall accrue.

The Mayor and Vice Mayor, either of whom may act, are each hereby authorized to approve (i) the final principal amounts and maturity dates of, and the principal amortization schedules for, the Bonds, so long as the final aggregate principal amounts are less than or equal to \$10,000,000, the final maturity dates are not later than August 1, 2035 and the aggregate weighted average maturity of the Bonds is less than eighteen (18) years, (ii) the final interest rates on the Bonds, so long as any interest rate does not exceed 2.42% per annum, and (iii) the final serial designations and Bond number designations. The approvals required by the preceding sentence are to be evidenced conclusively by the execution of the Bonds.

4. Pledge of Full Faith and Credit. The Bonds will be secured by the full faith and credit of the City. For the prompt payment of the principal of and interest on the Bonds as the same shall become due, the full faith and credit of the City are hereby irrevocably pledged. Pursuant to Virginia Code Section 15.2-2624 and as provided hereafter, there shall be levied and collected an annual tax upon all taxable property in the City subject to local taxation sufficient to provide for the payment of the principal of and interest on the Bonds as the same shall become due, which tax shall be without limitation as to rate or amount and shall be in addition to all other taxes authorized to be levied in the City to the extent other funds of the City are not lawfully available and appropriated for such purpose.

5. Execution and Delivery of Bonds. The Mayor and the Vice Mayor, either of whom may act, are each authorized and directed to execute the Bonds. The City Clerk and any Deputy Clerk, either of whom may act, are authorized and directed to execute the Bonds, to affix

the seal of the City to the Bonds, to attest the seal and then to deliver the Bonds to the Bank upon payment of the purchase price of 100% of the principal amount thereof.

6. Designation for Purchase by Financial Institutions. The City hereby designates the Bonds as “qualified tax-exempt obligations” eligible for the exception from the disallowance of the deduction of interest by financial institutions allocable to the cost of carrying tax-exempt obligations in accordance with the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The City does not reasonably anticipate that it and any “subordinate entities” will issue more than \$10,000,000 in qualified tax-exempt obligations during calendar year 2015, and the City will not designate more than \$10,000,000 of qualified tax-exempt obligations in calendar year 2015.

7. Prepayment Provisions. The Bonds will be subject to redemption at the option of the City, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount of the Bonds being redeemed plus accrued interest to the redemption date. The City shall cause notice of the call for redemption identifying the principal amount of the Bonds to be redeemed to be sent by electronic or facsimile transmission, registered or certified mail, or overnight express delivery, not less than ten (10) days prior to the redemption date, to the registered owner of the Bonds.

8. Registration and Transfer of Bonds. The City Treasurer is appointed paying agent and registrar for the Bonds (the “Registrar”). The Registrar shall maintain registration books for the registration and registration of transfers of the Bonds. Upon presentation and surrender of a Bond at the office of the Registrar, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the City shall execute and deliver in exchange, a new Bond having an equal aggregate principal amount, of the same form, series and maturity, bearing interest at the same rate and registered in the name as requested by the then registered owner thereof or its duly authorized attorney or legal representative. Any such transfer or exchange shall be at the expense of the City, except that the Registrar may charge the person requesting such transfer or exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

9. Further Actions. The Mayor, the Vice Mayor, the City Manager, the Director of Finance and such officers, employees and agents of the City as may be designated by any of them are authorized and directed to take such further actions as they deem necessary regarding the issuance and sale of the Bonds, including, without limitation, the execution and delivery of closing documents and certificates including Form 8038-G and a Non-Arbitrage and Tax Certificate (the “Tax Certificate”). All such actions previously taken by the Mayor, the Vice Mayor, the City Manager, the Director of Finance or such officers, employees and agents are hereby approved, ratified and confirmed.

The Council covenants on behalf of the City that (i) the proceeds from the issuance of the Bonds will be invested and expended as set forth in the Tax Certificate, (ii) the City shall comply with the other covenants and representations contained in the Tax Certificate and (iii) the City shall comply with the provisions of the Code, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes.

10. Selection of Bond Counsel. The Council hereby consents to Troutman Sanders LLP serving as Bond Counsel to the City in connection with the issuance of the Bonds.

11. Election Under the Act. The Council elects to issue the Bonds under the provisions of the Act and without regard to the City Charter.

12. Investment Authorization. The Council authorizes the City Treasurer and Director of Finance to utilize the State Non-Arbitrage Program of the Commonwealth of Virginia (“SNAP”) in connection with the investment of the proceeds of the Bonds, if the City Manager, the Director of Finance and the City Treasurer determine that the utilization of SNAP is in the best interest of the City. The Council acknowledges that the Treasury Board of the Commonwealth of Virginia is not, and shall not be, in any way liable to the City in connection with SNAP, except as otherwise provided in the standard SNAP Contract.

13. Use of Proceeds of Bonds. The City agrees to use the proceeds of the Bonds to finance a portion of the cost of the Project and the costs of issuing the Bonds, and to use the same for such purposes within three (3) years after the date of the issuance of the Bonds, with any proceeds remaining after such date being used to optionally redeem principal on such Bonds and being yield-restricted to the yield on such Bonds, unless the City receives an opinion of nationally recognized Bond Counsel that a different use of the remaining proceeds would not cause the interest on the Bonds to be includable in the gross income for federal income tax purposes of the registered owner thereof under existing law.

14. Discharge upon Payment of Bonds. If the Bonds shall have become due and payable in accordance with their terms, shall have been fully refunded from the proceeds of refunding bonds issued by the City and the full amount of the principal and interest so due and payable upon all Bonds then outstanding shall have been paid, or sufficient cash or direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America shall be held by the City Treasurer or by an escrow agent selected by the City for such purpose, at the time and in the manner provided in this Resolution, then all covenants, agreements and other obligations of the City to the holders of the Bonds under this Resolution shall cease, terminate and be void and the City shall be discharged from its obligations hereunder. Upon the deposit of such cash or obligations with the City Treasurer or escrow agent, the City Treasurer or escrow agent may request a report from certified public accountants, actuaries or other similar professionals, addressed to the City Treasurer or escrow agent, to the effect that the cash and the proceeds to be received from such obligations will be sufficient, without reinvestment, to provide for the payment of the principal of and interest on the Bonds when due.

In the event that all of such cash and obligations are not required for the payment of the principal of and interest on the Bonds, such excess may be used by the City for any lawful purpose.

Notwithstanding anything to the contrary contained herein, any defeasance and discharge hereunder shall not be deemed to release the City from its obligations to pay the principal of and interest on the Bonds as contemplated herein until the date all of the Bonds are paid in full. In addition, such defeasance and discharge shall not terminate the obligations of the City to comply with the tax laws pertaining to the Bonds until the date all of the Bonds are paid in full.

15. Arbitrage Covenants.

(a) No Composite Issue. The City represents that there have not been issued, and covenants that there will not be issued, any obligations that will be treated as part of the same issue of obligations as the Bonds within the meaning of the Code.

(b) No Arbitrage Bonds. The City covenants that it shall not take or omit to take any action the taking or omission of which will cause the Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code, or otherwise cause interest on the Bonds to be includable in the gross income for federal income tax purposes of the registered owner thereof under existing law. Without limiting the generality of the foregoing, the City shall comply with any provision of law which may require the City at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bonds, unless the City receives an opinion of nationally recognized Bond Counsel that such compliance is not required to prevent interest on the Bonds from being includable in the gross income for federal income tax purposes of the registered owner thereof under existing law. The City shall pay any such required rebate from its legally available funds.

16. Limitation on Private Use; No Federal Guaranty. The City covenants that it shall not permit the proceeds of the Bonds to be used in any manner that would result in (a) ten percent (10%) or more of such proceeds being used in a trade or business carried on by any person other than a state or local governmental unit, as provided in Section 141(b) of the Code, (b) five percent (5%) or more of such proceeds being used with respect to any output facility (other than a facility for the furnishing of water), within the meaning of Section 141(b)(4) of the Code, or (c) five percent (5%) or more of such proceeds being used directly or indirectly to make or finance loans to any persons other than a state or local governmental unit, as provided in Section 141(c) of the Code; *provided*, that if the City receives an opinion of nationally recognized Bond Counsel that any such covenants need not be complied with to prevent the interest on the Bonds from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the City need not comply with such covenants.

The City represents and agrees that the Bonds are not and will not be “federally guaranteed,” as such term is used in Section 149(b) of the Code. No portion of the payment of principal of or interest on the Bonds is or will be guaranteed, directly or indirectly, in whole or in part by the United States or an agency or instrumentality thereof.

17. Limitation of Liability of Officials of the City. No covenant, condition, agreement or obligation contained herein shall be deemed to be a covenant, condition, agreement or obligation of any officer, employee or agent of the City in his or her individual capacity, and no officer of the City executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof. No officer, employee or agent of the City shall incur any personal liability with respect to any other action taken by him or her pursuant to this Resolution, provided he or she acts in good faith.

18. Contract with Bank. The provisions of this Resolution shall constitute a contract between the City and the Bank (or any subsequent owner) for so long as the Bonds are

outstanding. This Resolution may not be amended by the City in any manner without the consent of the Bank (or any subsequent owner), except to cure any defect, error, omission or ambiguity herein.

19. Fees Payable to Bank. The City agrees to pay the Bank's closing fee of \$5,000 at the time of the issuance of the Bonds.

20. Reimbursement Declaration. In adopting this resolution, the City declares its "official intent" to allow for the use of the proceeds of the Bonds to reimburse the City for "original expenditures" associated with the Project, to the full extent permitted by Treasury Regulations Section 1.150-2. Expenditures made more than sixty (60) days prior to the date hereof may be reimbursed as to certain *de minimis* or preliminary expenditures described in Treasury Regulations Section 1.150-2(f) and as to other expenditures permitted under applicable Treasury Regulations. The City reasonably expects that it will reimburse the "original expenditures" with the proceeds of the Bonds.

21. Financial Statements. The City agrees to provide its audited financial statements to the Bank, or any subsequent owner of the Bonds, each year within 180 days of its fiscal year end.

22. Filing of Resolution. The City Clerk is hereby authorized and directed to cause a certified copy of this Resolution to be filed with the Circuit Court of the County of Rockingham, Virginia.

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

Adopted: December 8, 2015

Exhibit A -- Form of the Bonds

R-1

\$_____

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA**

CITY OF HARRISONBURG, VIRGINIA

GENERAL OBLIGATION BOND, SERIES 2015

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	August 1, 203_	December __, 2015	None

REGISTERED OWNER: AMERICAN NATIONAL BANK AND TRUST COMPANY

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the **CITY OF HARRISONBURG, VIRGINIA** (the “City”), a political subdivision of the Commonwealth of Virginia, hereby acknowledges itself indebted and promises to pay, from the sources described below, to the Registered Owner stated above, its successors or registered assigns, without offset, at American National Bank and Trust Company, 628 Main Street, Danville, Virginia 24543, or at such other place as the Registered Owner may designate that is acceptable to the City, the Principal Amount stated above on August 1 in the years and in the amounts set forth in Schedule A attached hereto and made a part hereof and to pay to the Registered Owner hereof interest hereon from the Dated Date shown above until payment in full hereof at the Interest Rate per year stated above. Payments of interest on this Bond will be due and payable semi-annually on each February 1 and August 1 commencing August 1, 2016. If not sooner paid, all principal together with all accrued interest due hereunder shall be paid in full on the Maturity Date stated above. Principal and interest shall be payable in lawful money of the United States of America.

All payments made on this Bond shall be applied first to accrued interest and then to principal. Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months. If the payment date of any payment hereunder would otherwise fall on a day on which commercial banks are authorized or required to close in the Commonwealth of Virginia, then payment need not be made on such date, but may be made on the next succeeding business day, and if made on such next succeeding business day, no additional interest shall accrue.

This Bond is subject to redemption at the option of the City, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount of this Bond being redeemed plus accrued interest to the redemption date. The City shall cause notice of the call for

redemption identifying the principal portion of this Bond to be redeemed to be sent by electronic or facsimile transmission, registered or certified mail, or overnight express delivery, not less than ten (10) days prior to the redemption date, to the Registered Owner of this Bond.

This Bond is a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Bond is executed and delivered pursuant to a Resolution of the City Council of the City (the “Council”) adopted on December 8, 2015 (the “Resolution”). This Bond is being issued under the Public Finance Act of 1991, as amended (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended). The proceeds of this Bond will be used to (a) finance all or a portion of the costs of (i) Reservoir Street road improvements from University Boulevard to the southern City limit, (ii) the replacement of the Pleasant Valley Road bridge, (iii) fire station number 1 renovations and (iv) a new water tank together with land acquisition, a new pump station, water lines and related infrastructure and (b) pay the costs of issuing this Bond. The Registered Owner shall be entitled to all benefits, and this Bond is issued subject to all terms and conditions, of the Resolution.

The full faith and credit of the City are irrevocably pledged for the payment of the principal of and the interest on this Bond. The Resolution provides, and Section 15.2-2624 of the Code of Virginia of 1950, as amended, requires, that there shall be levied and collected an annual tax upon all taxable property in the City subject to local taxation sufficient to provide for the payment of the principal of and the interest on this Bond as the same shall become due, which tax shall be without limitation as to rate or amount and shall be in addition to all other taxes authorized to be levied in the City to the extent other funds of the City are not lawfully available and appropriated for such purpose.

No covenant, condition, agreement or obligation contained herein shall be deemed to be a covenant, condition, agreement or obligation of any officer, employee or agent of the City in his or her individual capacity, and no officer of the City executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance hereof.

The City Treasurer shall act as Registrar (until a different Registrar is selected) and shall maintain registration books for the registration and the registration of transfer of this Bond. Payments of principal and interest shall be made by wire or by check or draft mailed to the Registered Owner, at its address as it appears on the registration books kept for that purpose at the principal office of the Registrar. The final payment of principal shall be payable upon presentation and surrender of this Bond to the Registrar. The transfer of this Bond may be registered only on the books kept for the registration and registration of transfer of this Bond upon surrender thereof to the Registrar at his or her address together with an assignment duly executed by the Registered Owner 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 deliver, in exchange for this Bond, a new registered Bond registered in the name of the transferee. Prior to due presentment for registration of transfer, the Registrar shall treat the Registered Owner as the person exclusively entitled to payment of principal of and interest on this Bond and to the exercise of all other rights and powers of the owner.

If this Bond has been mutilated, lost or destroyed, the City shall execute and deliver a new Bond of like date and tenor in exchange or substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond; *provided*, that the City shall execute and deliver such Bond only if the holder has paid the reasonable expenses and charges of the City and the Registrar in connection therewith and, in the case of a mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of a lost or destroyed Bond, the holder has furnished to the City and the Registrar (if different from the City) (a) evidence satisfactory to them that such Bond was lost or destroyed and the holder was the owner thereof and (b) indemnity satisfactory to them.

Any failure or delay by the Registered Owner to exercise any right hereunder or under the Resolution shall not be construed as a waiver of the right to exercise the same or any other rights at any time.

The term "Registered Owner" as used herein shall include any future holder of this Bond. This Bond shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia. Whenever possible, each provision of this Bond shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Bond shall be prohibited by or invalid under such law, such provisions shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Bond. This Bond shall apply to and bind the City's successors and assigns to the extent provided herein and shall inure to the benefit of the Registered Owner, its successors and assigns.

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

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the City Council of the City of Harrisonburg, Virginia, has caused this Bond to be issued in the name of the **CITY OF HARRISONBURG, VIRGINIA**, to be executed by its Mayor or Vice Mayor, its seal to be affixed to this Bond attested by its City Clerk or Deputy Clerk and this Bond to be dated December __, 2015.

CITY OF HARRISONBURG, VIRGINIA

By _____
Mayor

[SEAL]

Attest:

City Clerk

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
(Please print or typewrite name, address and Social Security Number or Taxpayer Identification Number of transferee) the within Bond and all rights therein and hereby irrevocably constitutes and appoints _____ attorney-in-fact to transfer the Bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears in the registration books of the City.

In the presence of:

NOTICE: The registered owner's signature to this assignment must be guaranteed by an institution participating in the Securities Transfer Agent Medallion Program ("STAMP") or similar program. Please affix signature guarantee ink Stamp with appropriate signature, title of officer and date.

SCHEDULE A

Date

Principal Payment

\$

CERTIFICATE

The undersigned City Clerk of the City of Harrisonburg, Virginia, hereby certifies that the foregoing constitutes a true, correct and complete copy of a Resolution adopted by the City Council of the City of Harrisonburg, Virginia held on December 8, 2015. I hereby further certify that in accordance with Section 15.2-2607 the Resolution was adopted at the meeting at which it was introduced, said meeting constituted a regularly scheduled meeting and during the consideration of the foregoing Resolution a quorum was present. The vote of the members of the Council upon the foregoing Resolution was as follows:

<u>Member</u>	<u>Present/Absent</u>	<u>Vote</u>
<u>Richard Baugh</u>	_____	_____
<u>Ted Byrd</u>	_____	_____
<u>Christopher B. Jones</u>	_____	_____
<u>Kai Degner</u>	_____	_____
<u>Abe Shearer</u>	_____	_____

WITNESS MY HAND and the seal of the City of Harrisonburg, Virginia, this 8th day of December, 2015.

City Clerk of the City of Harrisonburg, Virginia

[SEAL]