VOLUNTARY SETTLEMENT OF ANNEXATION AND REVENUE SHARING ISSUES BETWEEN THE TOWN OF HILLSVILLE AND CARROLL COUNTY

This Agreement (the "Agreement") is made this ___ day of February, 2005, by and between the Town of Hillsville, Virginia (the "Town"), by and through the Town Council for the Town of Hillsville (the "Town Council"), and the County of Carroll, Virginia (the "County"), by and through the Carroll County Board of Supervisors (the "Board of Supervisors") (together, the "Parties"), pursuant to Title 15.2, Chapter 34 (§ 15.2-3400 et seq.) of the Code of Virginia (1950), as amended (the "Code").

RECITALS

1. The Town and County wish to resolve, without resort to further litigation, all disputes between them regarding the provision of public utility service by the Town to the Carroll County Public Service Authority and certain customers located in the County.

2. Toward that end, the Town and County have entered into an agreement dated February ___, 2005 (the "Utility Agreement"). The Utility Agreement provides, in relevant part, for new utility rates, defined service areas, and cost sharing for certain specified public improvements.

3. The Parties also wish to make provision for one or more optional boundary adjustments by the Town to incorporate all or portions of a specific area around the intersection of Interstate 77 and Route 58, for revenue sharing of certain taxes from within that area, and for a waiver of certain annexation and city status rights.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which the Parties hereby acknowledge, the Parties agree as follows:

Section 1. DEFINITIONS

The Parties agree that the following words, terms and abbreviations as used in this Agreement shall have the following defined meanings, unless the context clearly provides otherwise:

1.1 "Commission" shall mean the Commission on Local Government.

1.2 "Court" shall mean the Special Three-Judge Court appointed by the Supreme Court of Virginia pursuant to Title 15.2, Chapter 30, § 15.2-3000 of the Code.

1.3 "Lodging tax" shall mean the transient occupancy tax levied by the Town or the County, as authorized by Virginia Code Sections 58.1-3819 through 58.1-3825, or any successor provisions.

1.3 "Meals tax" shall mean the food and beverage tax levied by the Town or the County, as authorized by Virginia Code Sections 58.1-3833 through 58.1-3834, or any successor provisions.

1.4 "Section" refers to parts of this Agreement unless the context indicates that the reference is to parts of the Code.

Section 2. BOUNDARY ADJUSTMENT

2.1 Optional Boundary Adjustment Area. At any time during the 40-year period following the effective date of this Agreement, or until the Utility Agreement is

terminated, whichever shall occur first, the Town in its sole discretion shall have the right to incorporate into its boundaries all or any portion of the area (the "Boundary Adjustment Area") shown generally on the map attached as Exhibit 1, and described by metes and bounds on the attached Exhibit 2. If the Town incorporates less than the entire Boundary Adjustment Area, the portion or portions annexed to the Town must be contiguous to the Town's boundaries, as they currently exist or as they are enlarged as a result of one or more boundary adjustments implemented pursuant to this Agreement.

2.2 Procedure for Incorporating Area. If the Town decides to incorporate within its boundaries all or any portion(s) of the Boundary Adjustment Area, it shall exercise that right by the adoption, over such period and at such time(s) as the Town may elect, of one or multiple ordinances that provide for the incorporation of all or separate portions of such territory into the Town. The Town also may elect to incorporate more than one portion of the Boundary Adjustment Area in a single ordinance. The incorporation of such territory shall take effect on the date(s) specified in the ordinance(s) without further action by the Commission or any court.

(a) Prior to the adoption of such an ordinance, the Town shall provide the County with written notice of its intention to adopt an ordinance incorporating within its boundaries all or any portion(s) of the Boundary Adjustment Area, which notice shall be delivered to the County Administrator at least three months prior to the effective date of the boundary adjustment.

(b) Prior to the adoption of such an ordinance, the Town shall hold a public hearing on the proposed ordinance, notice of which shall be published once a week

for two consecutive weeks in a newspaper of general circulation in the Town and the area to be incorporated into the Town.

(c) Any such boundary adjustment ordinance shall contain a survey plat or metes and bounds description of the Boundary Adjustment Area, or portion(s) thereof, to be incorporated into the Town.

(d) Any such ordinance also shall contain a written description of the Town's plans to extend Town services within the Boundary Adjustment Area, or portion(s) thereof, and to construct capital improvements, if any, within such territory.

(e) Following the adoption of each such ordinance, the Town shall file a certified copy with the Circuit Court of Carroll County and the Secretary of the Commonwealth.

2.3 Extension of Municipal Services. Following the effective date of any boundary adjustment initiated by the Town pursuant to this Agreement, the Town shall extend its then-existing governmental services (including, for example, police protection, solid waste collection, and zoning controls) to the newly-incorporated area(s) on the same basis and at the same level as such services now are or hereafter may be provided to areas with the Town's current corporate limits where like conditions exist.

2.4 Alternative Boundary Adjustment Procedure. The Town shall have the right to elect to incorporate within its boundaries all or any portion(s) of the Boundary Adjustment Area by a simple boundary adjustment agreement executed pursuant to Title 15.2, Chapter 30, Article 2 of the Code, prior to Court approval of this Agreement. If the Town elects to use that alternative procedure, the County shall undertake those steps

necessary to obtain approval of such an agreement. In that event, the Parties recognize that all or any portion(s) of the Boundary Adjustment Area may have been incorporated within the Town's boundaries by the time this Agreement is reviewed by the Commission or approved by the Court.

Section 3. WAIVER OF ANNEXATION AND CITY STATUS RIGHTS

3.1 Waiver of Annexation Rights. During the 40-year period following the effective date of this Agreement or until the Utility Agreement is terminated, whichever shall occur first, the Town agrees that it shall not, either directly or indirectly, file any annexation notice with the Commission or institute any court action for annexation against the County, pursuant to Title 15.2, Chapter 32, Article 1, of the Code, or any successor provisions, seeking to annex any portion of the Boundary Adjustment Area. This waiver of annexation rights shall not bar the Town from (i) incorporating all or any portion(s) of the Boundary Line Adjustment Area pursuant to section 2 of this Agreement, (ii) from annexing any other area of the County with the County's consent, or (iii) from instituting annexation proceedings for areas of the County not lying within the Boundary Adjustment Area.

3.2 Waiver of City Status. During the 40-year period following the effective date of this Agreement or until the Utility Agreement is terminated, whichever shall occur first, the Town agrees that it shall not file any city status notice against the County with the Commission or institute any court action for transition to city status against the County, pursuant to Title 15.2, Chapter 38 of the Code.

Section 4. REVENUE SHARING.

4.1 Revenue Sharing Formula. If a boundary adjustment initiated by the Town as set forth in section 2, above, takes effect, then the Town shall pay the County a share of the meals and lodging tax revenues collected by the Town from any such portion(s) of the Boundary Adjustment Area, during the 40-year period following the effective date of this Agreement or until the Utility Agreement is terminated, whichever shall occur first. On or before the end of each quarter of the Town's fiscal year, the Town shall pay to the County, from meals and lodging tax revenues collected by the Town within such portion(s) of the Boundary Adjustment Area, an amount equal to one-half the Town's then-current adopted meals tax rate, and also an amount equal to one-half the Town's then-current adopted lodging tax rate, provided that the Town's maximum payments to the County will not exceed an amount equal to 100% of the County's then-current, adopted rates for meals and lodging taxes, respectively.

4.2 Geographical Scope of Revenue Sharing Agreement. The revenue sharing provisions of this Agreement shall apply only with respect to those revenues collected by the Town in the area(s) brought within the Town pursuant to this Agreement.

4.3 Effect of Change in Town Tax Rate(s). If the Town's tax rates increase or decrease in the future, then the County's share of Town tax revenues pursuant to this Agreement will increase or decrease so that the Town's revenue sharing payments to the County will remain equal to one-half the applicable Town rate, provided that the Town's maximum payments to the County will not exceed an amount equal to 100% of the County's then-current adopted tax rates for meals and lodging, respectively.

4.4 Example of Revenue Sharing Calculation. Based on the Town's current meals tax rate of 5% and the County's current meals tax rate of 4%, the Town would pay the County, from the revenues collected within the Boundary Adjustment Area, or portion(s) thereof, an amount equal to a 2.5% meals tax rate, which is one-half of the Town's rate. In the event the Town imposed a 12% meals tax and the County imposed a 5% meals tax, the Town would pay the County an amount equal to a 5% meals tax rate, which is less than one-half of the Town's rate but is 100% of the County's rate.

Section 5. COMMISSION AND COURT APPROVAL

5.1 Commission Review. The Town and the County promptly shall initiate the steps required by Title 15.2, Chapter 34 of the Virginia Code to obtain review of this Agreement by the Commission.

5.2 Court Approval. Following issuance of the report of findings and recommendations by the Commission, the Town and the County jointly shall initiate a proceeding to obtain Court affirmation and approval of this Agreement, as required by Title 15.2, Chapter 34 of the Code.

5.3 Termination for Court Failure to Approve. If the Court fails to approve and give full force and effect to this Agreement without modification, it shall terminate immediately, unless the Parties waive termination by mutually agreeing to the modifications requested by the Court in a written document, duly executed by the Parties' authorized representatives.

Section 6. MISCELLANEOUS PROVISIONS

6.1 Effect on 1995 Settlement Agreement. The execution of this Agreement shall not repeal or terminate the provisions of the 1995 Voluntary Annexation Settlement Agreement between the Town and County ("1995 Agreement"), a copy of which is attached as Exhibit 3. Accordingly, the Town may elect not to incorporate, by ordinance adopted pursuant to section 2, above, all or any portion of the Interstate Area, as defined in the 1995 Agreement, which is a portion of the Boundary Adjustment Area. In that event, the County shall continue to pay the Town in perpetuity such portions of County meals and lodging taxes collected from such portions of the Interstate Area not incorporated into the Town, as set forth in the 1995 Agreement. In addition, if the County elects not to pay such sums, then the Town shall continue to have the right to incorporate such areas within its boundaries, as provided in the 1995 Agreement, and in that case the Town shall have no obligation to pay the County any portion of the Town's meals tax or lodging tax collected from such areas.

6.2 Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of the Parties, and each of their future governing bodies, and any successor(s) thereto upon its approval by the Court.

6.3 Entire Agreement. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original. This Agreement constitutes the entire understanding between the Parties. Hereafter, this Agreement may be amended, modified or supplemented, either in whole or in part, prior to approval by the Court only by a written document, executed by duly authorized representatives of the Parties.

6.4 Court Enforcement. The terms and conditions of this Agreement shall be enforceable by the Court affirming and giving full force and effect to its provisions, or any successor Court appointed pursuant to Title 15.2, Chapter 30 of the Code.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

TOWN OF HILLSVILLE,
VIRGINIA

By: _____

Randall Gravley,
Mayor

Attest: _____
Clerk

Date: _____

COUNTY OF CARROLL,
VIRGINIA

By: _____

Brian Spencer, Chair
Board of Supervisors

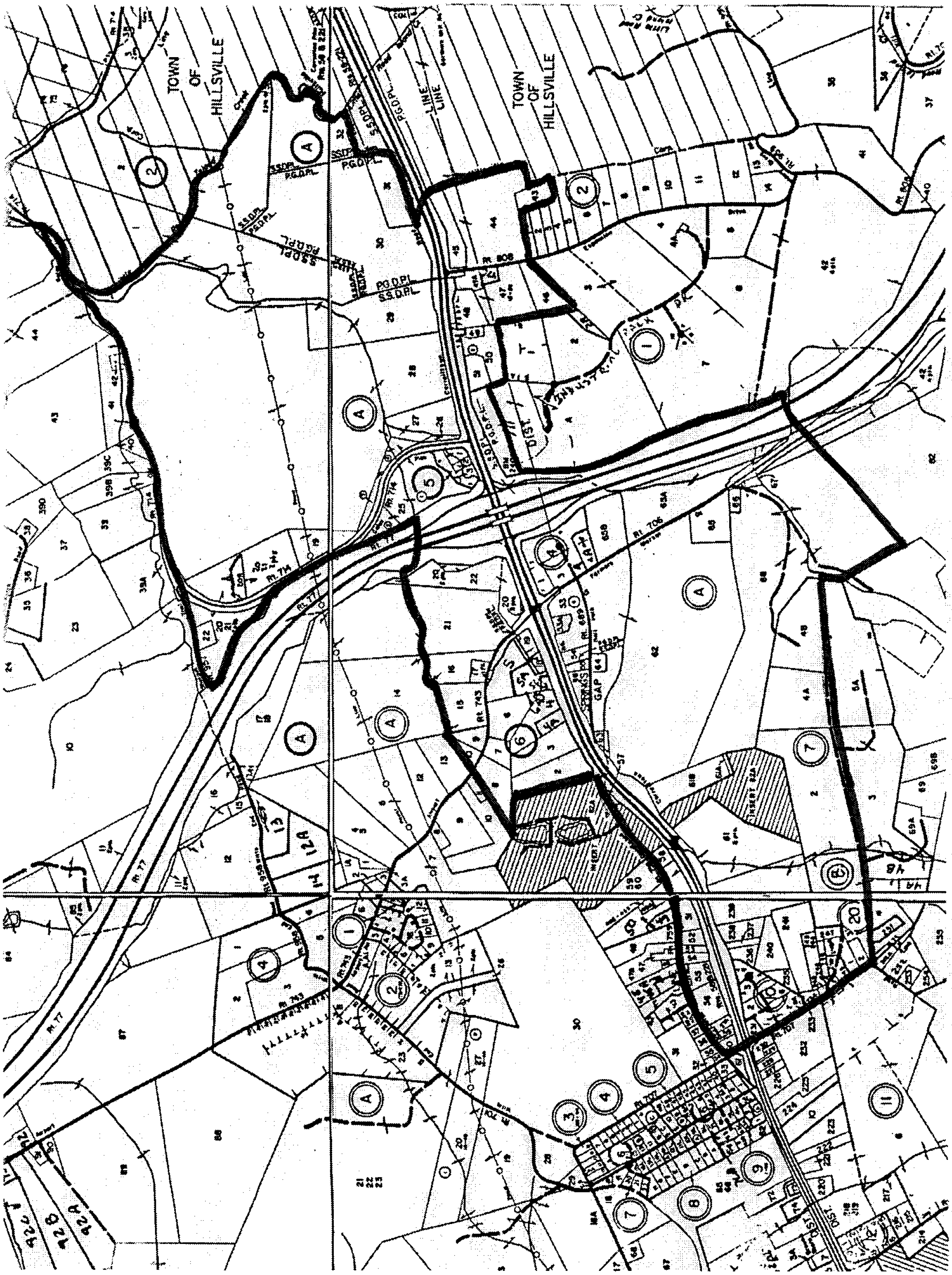
Attest: _____
Clerk

Date: _____

EXHIBIT

tabbies

1



EXHIBIT

tabbies

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METES AND BOUNDS DESCRIPTION OF "BOUNDARY ADJUSTMENT AREA"*

Beginning at the southernmost point of Parcel 82-A-30 and Parcel 82-A-31 on the current Town limits, follow current town limits east then in a northerly direction to the intersection of Rt. 714 (Old Galax Pike) and the current town limits, then follow the northern right of way of Rt. 714 in a westerly direction, then follow the northern right of way of Rt. 957 (Shotgun Trail) west to the eastern right of way of I-77. Follow the eastern right of way of I-77 south to an unnamed creek which crosses Parcel 82-A-25, follow the creek in a westerly direction, crossing I-77, then crossing Parcel 82-A-20 and Parcel 82-A-21. Then follow property line between Parcel 82-A-16 and Parcel 82-A-14 to a common point of Parcel 82-A-16, Parcel 82-A-14 and Parcel 82-A-15, then follow the property line between Parcel 82-A-14 and Parcel 82-A-15 to a point, then follow the property line between Parcel 82-A-10 and Parcel 82-A-13 to Rt. 743 (Airport Road). Cross Rt. 743 then follow the property line between Parcel 82-6-8 and Parcel 82-6-11. Then follow property line between Parcel 82-6-8 and Parcel 82-6-10. Then follow in an easterly direction the property line between Parcel 82-A-A-D and Parcel 82-6-8, then a southerly direction following the property line between Parcel 82-A-A-D and Parcel 82-6-2, continue along the property line between Parcel 82-6-2 and Parcel 82-A-1A to a point in the northern right of way of Rt.750 (Carrollwood Drive). Then follow the northern right of way of Rt.750 in a westerly direction to its intersection with the western right of way of Rt. 707 (Training Center Road), then in a southern direction across Rt. 58/221 to Rt. 707 (Partridge Road), and follow the western right of way of Rt. 707 to the intersection of Rt. 707 and Broken Shoe Road. Follow the southern right of way of Broken Shoe Road east to a common point of Parcel 82-7-4A, Parcel 82-7-4B and Parcel 82-7-5A. Then follow the property line east between Parcel 82-7-4B and Parcel 82-7-5A to a common point of Parcel 82-7-4B, Parcel 82-7-5A and Parcel 82-A-68. Then follow property line south between Parcel 82-A-68 and Parcel 82-7-5A to a common point of Parcel 82-7-5A, Parcel 82-A-68 and Parcel 82-A-74. Then follow in a southeast direction the property line between Parcel 82-A-68 and Parcel 82-A-74. Then follow in an easterly direction the property line between Parcel 82-A-68 and Parcel 82-A-82. Then follow an unnamed creek east and then cross I-77 to the I-77 eastern right of way, follow the right of way north to a point approximately 300 feet from Rt. 58/221,then east through Parcel 82-1-A1 along the Parkdale Mills property line to Parcel 82-1-54. Then south to a common point of Parcel 82-1-A1, Parcel 82-1-50 and Parcel 82-1-1. Then follow the property line east between Parcel 82-1-50 and Parcel 82-1-1 to a common point of Parcel 82-1-50, Parcel 82-1-1 and Parcel 82-1-47. Then south along the property line between Parcel 82-1-1 and Parcel 82-1-47. The continue south along the property line between Parcel 82-1-2 and Parcel 82-1-46, then between Parcel 82-1-46 and Parcel 82-1-2A. Then in a northeast direction between Parcel 82-1-46 and Parcel 82-1-3. Cross Rt. 808 (Expansion Drive) then follow the property line between Parcel 82-A-44 and Parcel 82-2-1. Then follow the property line south between Parcel 82-A-43 and Parcel 82-2-1, Parcel 82-2-2, Parcel 82-2-3, Parcel 82-2-4. Then east between Parcel 82-A-43 and Parcel 82-2-4. Then follow current town boundary east then north, cross Rt. 58/221 to point of origin.

* All references to "Parcels" refer to Carroll County tax parcels as shown on County tax maps existing as of the date of this Agreement.

Hillsville

Final

VOLUNTARY SETTLEMENT AGREEMENT

This AGREEMENT is made and entered into this 28th day of September, 1995, and executed in quintuplicate originals (each executed copy constituting an original) by and between the TOWN OF HILLSVILLE, VIRGINIA, a municipal corporation of the Commonwealth of Virginia (the "Town"), and the COUNTY OF CARROLL, VIRGINIA, a political subdivision of the Commonwealth of Virginia (the "County").

WHEREAS, the Town and the County have reached this Agreement, pursuant to Title 15.1, Chapter 26.1:1 of the Virginia Code, providing for the annexation of certain territory, defining the Town's ability to adjust its boundaries in the future, and defining the County's immunity from annexation for fifteen (15) years from the effective date of annexation.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree with each other as follows:

SECTION 1.00 DEFINITIONS

The parties hereto agree that the following words, terms and abbreviations as used in this Agreement shall have the following defined meanings, unless the context clearly provides otherwise:

1.01 "Town" shall mean the Town of Hillsville, Virginia.

1.02 "Code" or "Virginia Code" shall mean the Code of Virginia of 1950, as amended.

1.03 "Commission" shall mean the Commission on Local Government.

EXHIBIT

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1.04 "County" shall mean the County of Carroll, Virginia.

1.05 "Court" shall mean the Special Three-Judge Court appointed by the Supreme Court of Virginia pursuant to Title 15.1, Chapter 26.2, § 15.1-1168 of the Code.

1.06 "Lodging Tax" shall mean that tax currently being levied by the County in the Interstate Area, as that term is defined in Section 5.01 hereof, pursuant to Virginia Code Sections 58.1-3819 through 58.1-3822 or any successor provisions.

1.07 "Meals Tax" shall mean that tax currently being levied by the County in the Interstate Area, as that term is defined in Section 5.01 hereof, pursuant to Virginia Code Sections 58.1-3833 through 58.1-3834 or any successor provisions.

1.08 "Section" or subsection" refers to parts of this Agreement unless the context indicates that the reference is to parts of the Code.

SECTION 2.00 ANNEXATION TERMS AND CONDITIONS

2.01 Annexation Areas. The Town and County agree that the following areas (the "Annexation Areas") shall be annexed to the Town:

(a) Area #1 - Route 58 West from the Town limits to a point beyond Little Reed Island Creek, which area contains approximately 544.92 acres; and

(b) Area #2 - Route 52 South, Route 58 East, and Route 221 East, which area contains approximately 1174.15 acres.

2.02 Effective Date of Annexation. The annexation provided for in subsection 2.01 of this Agreement shall become effective at midnight on December 31,

1995. If the Court, pursuant to § 15.1-1167.1 of the Code, has not entered an order prior to December 31, 1995, approving and affirming this Agreement, then the annexation shall become effective at midnight on the 30th day of June or at midnight on the 31st day of December following the date of entry of such order, whichever date is earlier.

2.03 Metes and Bounds and Survey of Annexation Areas. The Annexation Areas are fully described by metes and bounds in Exhibit No. 1 attached to this Agreement and are shown on a map attached to this Agreement as Exhibit No. 2. The Town shall cause the Annexation Areas to be surveyed and shall provide the County with a copy of a map reflecting that survey. If the County does not object within a reasonable time, not to exceed 30 days, the map reflecting the survey shall be submitted to the Court and shall be incorporated in the final order approving and implementing this Agreement.

2.04 Extension of Municipal Services. The Town agrees that upon the effective date of annexation provided for in subsection 2.02 of this Agreement, the Town will extend its general governmental services to the Annexation Areas (including, for example, police protection, solid waste collection, and subdivision and zoning controls) on the same basis and at the same level as such services are now or hereafter provided to the areas within its current corporate limits where like conditions exist.

2.05 Construction of Capital Improvements. Within a reasonable period of time following the effective date of the annexation provided for in subsection

2.02, the Town will construct or install within the Annexation Areas those capital improvements (including, for example, water facilities, sewer facilities, and street lights) which, in its judgment, are (a) necessary to meet the service needs of residents within the Annexation Areas and (b) are financially feasible, considering the cost of any such project, the funding available to the Town, and the number of residents to be benefitted by the project. A "reasonable period of time" shall mean the 20 years following the effective date of the annexation provided for in subsection 2.02 of this Agreement.

2.06 Moratorium on Annexation. The Town covenants and agrees that it shall not, either directly or indirectly, (i) file any annexation notice against the County with the Commission or (ii) institute any court action or other proceeding for annexation against the County for a period of fifteen (15) years following the effective date of the annexation provided for in subsection 2.02 of this Agreement. This prohibition shall not bar the Town from incorporating within its boundaries, by ordinance, those additional areas specified in Section 3.00 or in Section 5.02 of this Agreement. The waivers and/or agreements contained in this subsection 2.06 shall be binding upon each and every subsequent and future governing body of the Town.

2.07 County Offices. The County covenants and agrees that all County offices currently located within the boundaries of the Town will continue to be located within the boundaries of the Town for a period of 15 years from the effective date of the annexation provided for in subsection 2.02. Such offices shall include, but not be

limited to, the administrative offices of the County and the County School Board, the County courthouse, and offices of the County constitutional officers. The County shall not, however, be required to keep the County jail within the boundaries of Hillsville during this period.

2.08 Water and Sewer Development. The Town and the County covenant and agree to begin immediate negotiations for the formulation of a strategic plan for future water and sewer development in the Town and the County. The Town and the County further covenant and agree that the Carroll County Public Service Authority shall participate in all such negotiations.

2.09 Litigation. The Town and the County agree to cease immediately any and all litigation and/or appellate procedures related to that certain annexation proceeding initiated by the Town against the County before the Commission on December 22, 1993 (the "Contested Annexation Proceeding"), and styled as follows: "In the Matter of the Notice by the Town of Hillsville, Virginia, a municipal corporation of the Commonwealth of Virginia, of its intention to petition for the annexation of territory within Carroll County, Virginia, a political subdivision of the Commonwealth of Virginia, pursuant to Chapter 25 of Title 15.1 of the Code of Virginia (1950) as amended." Upon entry of the final order of the Court approving this Agreement, the Town and the County shall jointly request the dismissal of the Contested Annexation Proceeding.

SECTION 3.00 FUTURE BOUNDARY ADJUSTMENTS

3.01 Future Boundary Adjustment Areas. The Town and the County agree that the Town shall have the right to incorporate within its boundaries the following areas ("Future Boundary Adjustment Areas") during the time periods specified below, provided that the Town satisfies those conditions set forth in subsection 3.03:

(a) Area A - Route 52 North area. Area A may be incorporated within the Town at any time between two (2) and fifteen (15) years after the effective date of the annexation provided for in subsection 2.02 of this Agreement.

(b) Area B - Beaver Dam Road area. Area B may be incorporated within the Town at any time between five (5) and fifteen (15) years after the effective date of the annexation provided for in subsection 2.02 of this Agreement.

Area A, consisting of approximately 1048.97 acres, and Area B, consisting of approximately 1078.45 acres, are described by metes and bounds on Exhibit 3 attached hereto and are depicted on a map attached as Exhibit 2 hereto.

3.02 Procedure. If the Town decides to incorporate within its boundaries Future Boundary Adjustment Areas A or B, it shall exercise that right by the adoption of one or more ordinances providing for the incorporation of either or both of said Areas into the Town. The incorporation of said Areas into Hillsville shall automatically take effect on the date specified in the ordinance without any further action of the Commission or any court.

3.03 Conditions Precedent to Town Boundary Adjustment Pursuant to Subsection 3.01 of this Agreement. The Town shall not adjust its boundaries to include any portion of the Future Boundary Adjustment Areas set forth in subsection 3.01 of this Agreement unless and until:

(a) The Town provides the County with written notice of its intent to adopt an ordinance to incorporate within its boundaries Future Boundary Adjustment Areas A or B. Such notice shall be delivered at least six (6) months prior to the effective date of the boundary adjustment; and

(b) The Town gives the County in advance of the effective date of the boundary adjustment a written description of its plans, if any, to construct sewage collection, transmission and/or treatment facilities within the Future Boundary Adjustment Area.

SECTION 4.00 MAGNOLIA SITE

4.01 Notwithstanding the provisions of subsection 2.01, subsection 3.01, or any other provision to the contrary, the Town and the County agree that a 75-acre parcel of land (the "Magnolia Site" formerly known as the Parkdale Mills Site) lying to the north of Route 221 and to the east of the current Town limits shall not be annexed to Hillsville as part of the Annexation Areas and shall not be incorporated within the Town boundaries as part of the Future Boundary Adjustment Areas within the 15 years following the effective date of the annexation provided for in subsection 2.02 of this Agreement. The County has designated the exact location of the Magnolia

Site, which is a portion of a larger tract of land to be used by Magnolia, Inc., for a manufacturing facility. The Magnolia Site is shown on a map attached hereto as Exhibit 4.

4.02 The County has provided, at its expense, a map reflecting a survey of the Magnolia Site. The County has further provided, at its expense, a map reflecting a survey of the Gardner tract of land lying to the north of Route 221 which has been purchased by the County and which contains the Magnolia Site.

SECTION 5.00 SHARING OF REVENUES

5.01 Revenues. The County agrees to pay quarterly to the Town in perpetuity on or before the end of each quarter of the County's fiscal year an amount equal to one-half of the revenues generated by the County within the Interstate Area (as defined herein below) from Meals and Lodging Taxes; provided, however, that in the event the Interstate Area is incorporated within the Town for any reason, the County shall have no further obligation to make such payments of revenues. "Interstate Area" shall mean that certain area more particularly described by metes and bounds on Exhibit 5 attached hereto, less such portion as may become incorporated into the Town.

5.02 Penalty. If the County (i) fails in any fiscal quarter to pay to the Town an amount equal to one-half of Meals and Lodging Taxes generated in the Interstate Area or (ii) voluntarily and within its discretion repeals the Meals Tax and/or the Lodging Tax or (iii) voluntarily and within its discretion reduces the current tax rate of its Meals Tax and/or its Lodging Tax, then the Town shall have the right to

incorporate within its boundaries the Interstate Area, which right shall be exercised by the adoption of a Town ordinance providing for the change of boundaries. The incorporation of the Interstate Area into the Town shall automatically take effect on the date specified in the ordinance without any action by the Commission or any court; provided, however that the Town shall give the County ten (10) days' written notice of any alleged default by the County under this section, and the County shall have, within ten (10) days from receipt of such written notice by the County Administrator, the opportunity to cure any such alleged default. This penalty provision shall not otherwise affect the moratorium on annexation provided for in subsection 2.06 of this Agreement nor any other obligation of the Town hereunder.

SECTION 6.00 COURT APPROVAL

6.01 Affirmation of the Agreement. The Town and the County agree to perform all steps necessary and required by Title 15.1, Chapter 26.1:1 of the Code (in particular § 15.1-1167.1, paragraphs 3, 4, 5 and 6 of the Code) to obtain affirmation of this Agreement by the Court. The parties agree that either party may petition the Court for the affirmation of this Agreement and that the other party shall take all steps necessary to join any such petition. Notwithstanding any provision of this Agreement to the contrary, this Section 6.01 is legally enforceable and binding upon each party upon the execution of this Agreement.

6.02 Bond. Upon the execution of this Agreement, the Town and the County shall each post a cash bond or a bond with surety in the sum of $350,000 with

the Circuit Court of Carroll County, Virginia. Such bonds posted by the Town and the County shall guarantee each party's compliance with the terms of this Agreement until such time as the Court has reviewed and either affirmed or denied affirmation of the Agreement or affirmed the Agreement with conditions. Upon either party's breach of this Agreement prior to the decision of the Court to affirm or deny affirmation of the Agreement or to affirm the Agreement with conditions, the non-breaching party shall be entitled to payment of the $350,000 bond posted on behalf of the breaching party.

SECTION 7.00 REQUIREMENTS OF APPROVAL

7.01 The Town and County agree that if this Agreement is not affirmed by the Court without modification, this Agreement shall immediately terminate. However, the parties may waive termination by mutually agreeing to any recommended modifications.

SECTION 8.00 MISCELLANEOUS PROVISIONS

8.01 This Agreement shall be binding upon and inure to the benefit of the Town and the County, and each of the future governing bodies of the Town and the County, and upon any successor to either the Town or the County.

8.02 This Agreement may be amended, modified or supplemented, in whole or in part, by mutual consent of the Town and the County, by a written document of equal formality and dignity, duly executed by the authorized representative of the Town and the County.

8.03 This Agreement shall be enforceable only by the Court affirming and giving full force and effect to this Agreement or by any successor Court appointed pursuant to Title 15.1, Chapter 26.2, § 15.1-1168 of the Code, pursuant to an action, at law or in equity, initiated by either or both parties hereto to secure the performance of the covenants, conditions or terms herein contained or any order affirming and giving full force and effect to this Agreement.

WITNESS the following signatures and seals:

TOWN OF HILLSVILLE, VIRGINIA, a municipal corporation of the Commonwealth of Virginia

By: _____
Mayor

ATTEST:

_____
Clerk

COUNTY OF CARROLL, VIRGINIA, a political subdivision of the Commonwealth of Virginia

By: _____
Chairman

ATTEST:

_____
Clerk