

Mayor Jacob P. Bailey called the regular monthly meeting of the Amherst Town Council to order on October 13, 2010 at 8:00 P.M. in the Council Chambers of the Town Hall at 186 S. Main Street. Council members Bobby J. Bondurant, J. Paul Kilgore, Haney Mottley, Harold Swisher and Richard Wydner were present. Town Manager Jack Hobbs, Police Chief Kenneth Watts, Town Attorney Tom Berry, Director of Public Utilities Tom Fore and Office Manager Colan Davis were also present.

It was noted that the normal start of the meeting had been delayed by an earlier community meeting and that Clyde Mawyer from Clifford Baptist Church had given an invocation at the close of the session but before the Town Council meeting was called to order.

Mr. Kilgore made a motion that was seconded by Mr. Swisher to move forward with the Police Chief hiring process as outlined at the September meeting and to continue with the service delivery model involving the current police department. The motion passed 3-2. Messrs. Kilgore, Mottley and Swisher voted "Aye". Messrs. Bondurant and Wydner voted "Nay".

Amy Gallagher from Davidson, Doyle & Hilton came forward to give a presentation on her company's audit of the Town's books for the fiscal year that ended on June 30, 2010. The Councilors agreed by consensus to consider approving the report at the November meeting.

Mr. Bondurant made a motion that was seconded by Mr. Wydner to approve the minutes for the September 13, 2010 meeting as previously submitted. The motion passed 5-0. Messrs. Bondurant, Kilgore, Mottley, Swisher and Wydner voted "Aye".

Mr. Mottley made a motion that was seconded by Mr. Kilgore to approve a seized asset policy. The motion passed 5-0. Messrs. Bondurant, Kilgore, Mottley, Swisher and Wydner voted "Aye". A copy of the policy is attached and made a part of these minutes.

Mr. Mottley made a motion that was seconded by Mr. Wydner to approve a fund balance policy. The motion passed 5-0. Messrs. Bondurant, Kilgore, Mottley, Swisher and Wydner voted "Aye". A copy of the policy is attached and made a part of these minutes.

A report on refinancing the Town's debt was received. Mr. Mottley made a motion that was seconded by Mr. Wydner to approve a resolution authorizing the refinancing some of the Town's debt. The motion passed 5-0. Messrs. Bondurant, Kilgore, Mottley, Swisher and Wydner voted "Aye". A copy of the resolution is attached and made a part of these minutes.

Correspondence from Seth Morris (294 Parrtown Road) requesting financial support for an educational trip to the British Isles was reviewed. It was noted that the Town has no history funding activities such as the one proposed, the proposer is not a Town resident, and the FY11 budget does not contain earmarked funds for it. By consensus, the Town Manager was asked to send a letter denying the request.

The Town Manager gave a status report on the S. Main Street sidewalk project.

The Town Manager reported that VDOT could issue a blanket "temporary street closure" permit to the Town which would reduce paperwork and eliminate the \$100/parade fee assessed by VDOT. Mr. Mottley made a motion that was seconded by Mr. Kilgore to adopt a resolution to request VDOT to issue such a permit. The motion passed 5-0. Messrs. Bondurant, Kilgore, Mottley, Swisher and Wydner voted "Aye". A copy of the resolution is attached and made a part of these minutes.

The Town Manager reported that no formal applications have been received as per the procedure articulated at §2-58 of the Town Code, for the vacant seat on the Industrial Development Authority caused by the resignation of Marshall Mays.

The Town Council agreed to hold a worksession on the water portion of the capital improvement plan on October 19 at 7:00 PM in the Town Hall. The planned agenda includes a presentation on the leak detection/water audit/water modeling/preliminary engineering report study from the consultant and a status report on the water CIP work done to date, and a Council discussion on how to prioritize the replacement of water mains. It was also noted that the Town Council is the host for a Centennial Recognition Dinner scheduled for Friday, November 5, 2010 (reception @ 6:00 PM and dinner @ 6:30 PM) at Winton Country Club.

Mr. Mottley made a motion that was seconded by Mr. Bondurant that the Town Council convene in closed session for:

- A. discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the Town would be adversely affected per the exemption at §2.2-3711A.5 of the Code of Virginia, and
- B. discussion, consideration, or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of the Police Chief per the exemption at §2.2-3711A.1 of the Code of Virginia.

Mr. Bondurant made a motion that was seconded by Mr. Wydner that the Town Council certify that to the best of each councilors' knowledge that (i) only public business matters lawfully exempted from open meeting requirements under Title 2.2, Chapter 37 and §15.2-2907 of the Code of Virginia and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered in the session. The motion passed 5-0. Messrs. Bondurant, Kilgore, Mottley, Swisher and Wydner voted "Aye" via the roll call method.

After agreeing to reconvene on October 19 at 7:00 PM in the Town Hall for a worksession, the meeting adjourned at 10:07 P.M.

Jacob P. Bailey
Mayor

Attest:

Clerk of Council

TOWN OF AMHERST FUND BALANCE POLICY

Approved October 13, 2010

Background

The Town of Amherst desires to maintain the financial operations of the Town in a manner consistent with sound financial management principles that require that sufficient funds be retained by the Town to provide a stable financial base at all times and that the Town's financial statements clearly depict the Town's financial condition.

An adequate fund balance level is an essential element in both short-term and long-term financial planning, and serves to mitigate current and future risks (revenue shortfalls and unanticipated expenditures), sustain operations during economic downturns, and enhance creditworthiness. Through the maintenance of sufficient levels of fund balance, the Town can help stabilize funding for operations, stabilize taxes and fees, and realize cost savings in issuing debt.

Purpose

The purpose of this policy is to establish:

- The components of the fund balance in all funds per GASB 54;
- A Permanent Fund principal;
- Minimum contingency expense line levels; and
- Compliance with this policy.

Components of Fund Balance

General Fund - This fund is the Town's general operating fund, which accounts for all governmental activities unless they are in another fund.

Enterprise Funds - The Town currently has two Enterprise Funds in the Water Fund, Sewer Fund. These operations are intended to be self-supporting. As such, the charges for services should be adjusted to cover any deficits.

Capital Projects Fund - Designation shall be made for projects made with issuance of bond proceeds. Any balances for unreserved-designated capital projects are held in the General Fund until funds are used. Cash transfers are made from the supporting operating fund for projects when funds are expended.

Fund Balance - The difference between assets and liabilities in the General Fund and Enterprise Funds. It is noted that this is not the same as "cash in the bank" but serves as a measure of financial resources available for current operations. Each fund's fund balance is divided into five elements as follows:

1. Nonspendable Fund Balance, which is composed of components such as fixed assets (i.e. buildings, real estate and equipment), inventories, prepaid items and other non-cash items.
2. Restricted Fund Balance, which is composed of Town cash subject to constraints imposed by external parties or law such as state or federal or court mandates, or debt covenants, such as proceeds from the sale of seized assets.
3. Committed Fund Balance, which is composed of the amount of Town cash that the Town Council has specified by ordinance, resolution, contract award or other action that imposes constraints on the use of Town cash. This category shall include the Permanent Fund principal as articulated below.
4. Assigned Fund Balance, which is composed of the amount of Town cash that the Town intends to use for a specific purpose but has not been designated by formal Town Council action. Examples

include multi-year understandings that are subject to future budget approvals and availability of funds.

5. Unassigned Fund Balance, which is the residual from all above fund balance categories and is available for any purpose. Negative balances in other governmental funds are reported here.

Fund Balance and Contingency Requirements

General Fund - As a minimum amount needed to meet ongoing expenditure obligations for the Town, the Permanent Fund Principal shall contain an amount at least 15% of annual General Fund revenues. This amount has been identified as the minimum amount needed to safeguard the Town's financial stability, and as one component in maintaining credit worthiness.

Enterprise Funds - The Permanent Fund Principal for enterprise funds shall be at least 1 year of debt payments plus 3 months of operating costs at the end of each fiscal year.

Contingency - The Town will maintain a contingency line in the General Fund to pay for needs caused by unforeseen emergencies, including unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery cost. The annual Town budget shall contain a contingency expense of at least 3% of General Fund expenditures. The Water Fund and Sewer Fund maintenance budgets shall contain monies for reasonable expected Water Fund and Sewer Fund contingencies.

Compliance with Policy

It shall be the goal of the Town Council to adopt a budget that maintains the requirements established herein.

Each component of the Fund Balance shall be reviewed and reported to the Town Council at least annually in conjunction with the development of the operating budget, upon any significant amendments made to the budget throughout the fiscal year, upon debt financing, or upon any significant event. As such, any action, such as approval of any new outlay or ongoing commitment, involving more than \$100,000 will initiate a fund balance reallocation review.

No appropriation from the Restricted Fund Balance or Committed Fund Balance for recurring operational expenditures shall be made unless a plan for permanent funding of such expenditures is also approved at the time of appropriation.

In the event the Permanent Fund principal is required to be drawn below the requirement established above due to an emergency such as natural disaster or due to severe economic circumstances, the Town Manager will present to the Town Council a plan with a time line not to exceed 24 months to restore the Permanent Fund principal to its minimum level established herein.

In the event of deficits, the Town Council may approve a loan or gift from the General Fund to cover the deficit. The preferred method for providing supplemental funding shall be that of a loan accompanied by an appropriate repayment schedule. However, particular circumstances may warrant supplemental funding in the manner of a gift from the General Fund. The unreserved undesignated fund balance requirement established for the General Fund takes this liability into account.

All Fund Balance amounts shall be invested according to the Bookkeeping Policy, and unless otherwise specified, investment revenue shall accrue to the General Fund.

Seized, Forfeited and Unclaimed Property and Asset Policy
August 23, 2010

I. Definitions

A. Seized Assets

Seized Assets are all property, including tangible property, real estate, motor vehicles, cash, securities and other negotiable instruments and bank accounts that have been lawfully seized by a law enforcement officer of the town and which have not yet been forfeited to the Commonwealth or the Town of Amherst by a court of appropriate jurisdiction or by other legal authority or law.

B. Forfeited Assets

Forfeited Assets are defined as all property including tangible property, real estate, motor vehicles, cash, securities and other negotiable instruments and bank accounts that have been lawfully seized by a law enforcement action by an officer of the Town and which have been forfeited to the Commonwealth or the Town of Amherst by a court of appropriate jurisdiction.

C. Unclaimed Lost/Found Property

All assets, property or funds that have been found, turned in, or has been recovered as lost property by the police department or another town department, which has not been claimed within three months of the date the Town came into possession of the property or funds.

II. Seized Property

A. All legally seized property that is held by the Town of Amherst or the Police Department belongs to the owner or registered owner and/or lien holder if any until such time as a court of jurisdiction declares the property or assets to be forfeited to the Commonwealth of Virginia or the Town of Amherst or other agency.

B. Handling of seized property or assets.

1. As provided for by VA Code §19.2-368.4 All seized tangible property pending forfeiture will be held by the police department in a safe and secure location until the courts either order the property returned to the owner or lien holder, or it is ordered forfeited to the Commonwealth or the Town of Amherst. Cash and negotiable instruments shall be deposited into an interest bearing account upon seizure. While in possession, the police department will treat all seized tangible property other than motor vehicles and cash as evidence. In the case of real estate and buildings, the property shall be posted with a seizure notice indicating the date of seizure and the seizing agency. Any vehicle which has been seized as part of a narcotics investigation but has not yet been forfeited shall be

stored at the Welby Bailey Town Maintenance Property, or at a fenced storage yard that is secured during non-business hours.

C. Forfeited Property

1. In accordance with VA Code §19.2-386.14 All forfeited cash, negotiable instruments and proceeds from a sale, including interest after deduction of expenses, fees and costs as provided in §19.2-386.12, shall as soon after entry of the forfeiture as practicable, be paid over to the state treasury into a special fund of the Department of Criminal Justice Services for distribution as provided by law. All seized and forfeited property or cash shall be reported to the Department of Criminal Justice Services by the police department in accordance with the guidelines set forth by Virginia Code §19.2-386.14
2. The proceeds of all forfeiture sales are reportable to DCJS and should be submitted to DCJS if they meet the following conditions: For a sale date within a year from the court order, then the net proceeds must be \$500 or more to report to DCJS. Otherwise, the funds are kept in the forfeiture account. For a sale date that is after one year from the court order date, then DCJS waives the 10% sharing with DCJS, and all of the proceeds are retained for the Town forfeiture account. If the funds are retained by the police department in either case, then that is reportable on the Department of Criminal Justice Services Annual Certification report. Therefore, the funds must be placed in the police department's forfeiture account and the funds must to be used to support law enforcement efforts. If the funds are not placed in the interest bearing forfeiture account for law enforcement use, revocation of the department's certification may result and Town's ability to receive future forfeiture funds me be revoked. The sale proceeds of vehicles or other property are no different than cash seized at the point of sale. The vehicle has been transferred to a cash item and is to be handled just as though it was a cash seizure at that point.
3. Funds returned to the Town by the Department of Criminal Justice Services after distribution to all agencies entitled to share forfeited assets shall not be used to supplant existing programs or funds as provided by VA § 19.2-386.14. . The Chief of Police shall obtain the approval of the Town Council before expenditure of such forfeited funds, and may only expend those funds for law enforcement activities and programs consistent with crime prevention efforts, equipment, investigations and training, and for expenses related to specific narcotics investigation related activities.
4. The interest bearing forfeited asset account shall be audited yearly in conjunction with the regularly scheduled audit of all other Town of Amherst Funds.

D. Unclaimed lost/found property

1. Unclaimed lost/found property is all tangible property, or cash that has been found, either by a town employee or by a citizen which has been apparently lost, abandoned or has been unclaimed by its owner for a period of 90 days from the date of coming in to possession of the Town of Amherst.
2. Town employees must turn all property or cash that is found or turned over to them during their normal work hours by a member of the public to his or her supervisor immediately. The supervisor shall hold all such property for 90 days.
3. All unclaimed lost/found cash may be returned to the employee or citizen finding such cash after a 90 day period. The Town shall advertise any amount of cash or tangible property valued above \$100.00 once in the New Era Progress to be claimed by the owner with proof of ownership, prior to returning such cash or property to the finder.
4. All tangible property or cash, not returned to either the owner or the finder within 90 days shall be deposited in the town treasury and in the case of tangible property, may be then considered surplus property and may be sold as specified in the surplus property policy for the Town of Amherst.

A RESOLUTION AUTHORIZING UP TO \$2,200,000 TOWN OF AMHERST, VIRGINIA
GENERAL OBLIGATION REFUNDING BOND, SERIES 2010 (“BANK-QUALIFIED”)

WHEREAS, pursuant to the Town Charter (the “Charter”) and the Public Finance Act, Chapter 26, Title 15.2 of the Code of Virginia, 1950, as amended (the “Public Finance Act”), the Town of Amherst, Virginia, (the “Town”) is duly incorporated and empowered to finance and refinance costs in connection with capital projects for essential governmental purposes for the benefit of the Town and to issue its general obligation bonds and notes to pay and to refinance such costs, as described below; and

WHEREAS, pursuant to the Charter and the Public Finance Act, among other things, the Town issued (i) the \$2,000,000 Town of Amherst, Virginia Water System General Obligation Bond, Series 1995, to the United States of America on August 8, 1995, in order to pay the costs to improve and extend the Town’s water system (the “1995 Bond”), and (ii) the \$1,230,000 Town of Amherst, Virginia Water System Improvement General Obligation Bond, Series 2007, to Carter Bank & Trust on December 31, 2007, in order to pay the costs to construct a new water storage tank (the “2007 Bond”, and together with the 1995 Bond, the “Prior Obligations”); and

WHEREAS, the Town has now determined that it is necessary and convenient for the Town to refinance and currently refund the Prior Obligations, respectively, in order to exploit current favorable market conditions and thereby maximize the Town’s debt service savings, among other things, all as further described below.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF AMHERST, VIRGINIA:

1. Authorization of Refinancing and Current Refunding of Prior Obligations. The Town Council hereby determines that it is necessary and expedient to refinance and refund the Prior Obligations, respectively, in order to exploit current favorable market conditions and thereby maximize the Town’s debt service savings. After mature consideration, the Town Council hereby accepts the terms and conditions for such refinancing and current refunding of the Prior Obligations, respectively, as set forth in a letter to the Town from SunTrust Bank (the “Commitment Letter”), dated September 30, 2010, a copy of which is attached hereto as Exhibit A, including the payment by the Town of up to aggregate \$2,000 Bank Fees, all as set forth therein. Accordingly, the Council hereby authorizes and approves the issuance of its General Obligation Refunding Bond, Series 2010 (“Bank-Qualified”), in the original principal amount up to \$2,200,000 (the “Refunding Bond”), to SunTrust Bank (the “Bank”), as purchaser thereof.

2. Details of the Refunding Bond. The Refunding Bond shall be a single, fully registered Refunding Bond without coupons; shall be numbered R- 1 and issued in the original principal amount up to \$2,200,000; shall be dated as of the date of its delivery to the Bank, as registered owner thereof, upon payment therefore; and shall be known and designated as an up to

\$2,200,000 Town of Amherst, Virginia General Obligation Refunding Bond, Series 2010 (“Bank-Qualified”).

The Mayor or the Vice-Mayor of the Town, either one of whom may act, are each hereby authorized and directed to determine and approve all of the final details of the Refunding Bond, including without limitation, the date of issuance and delivery thereof to the Bank, the stated fixed rate of interest on the Refunding Bond, the prepayment and redemption provisions thereof, and the final payment dates and amounts and the maturity date thereof; ***provided however***, (i) the date of issuance and delivery of the Refunding Bond shall be as soon as practicable after the date hereof, as may be mutually acceptable to the Town and the Bank or otherwise convenient for the parties, (ii) the fixed interest rate on the Refunding Bond shall not exceed 3.28% per annum, and (iii) the final maturity date of the Bond shall be a date not later than December 31, 2025. Such approval of the final form and details of the Refunding Bond by the Mayor or the Vice-Mayor of the Town, as the case may be, of the actual closing date on the Refunding Bond, the final fixed interest rate thereon, the prepayment and redemption provisions thereof, and the final payment dates and amounts and the maturity date thereof, all as approved in this Resolution, shall be evidenced conclusively by the due execution and delivery of the Refunding Bond by the Town to the Bank, and no further action shall be necessary on the part of the Town Council.

The Refunding Bond shall be in substantially the form attached to this Resolution as **Exhibit B**, with such changes, insertions or omissions as may be advisable, necessary or convenient and within the parameters approved by the Town Council herein.

Interest shall be computed based on a 30-day monthly interest installment period divided by a 360-day year.

The Refunding Bond shall be signed by the Mayor or Vice-Mayor of the Town, either of whom may act, shall be attested by the Clerk or any Deputy Clerk of the Town Council, and the Town's seal shall be affixed thereto. Installments of principal and interest shall be payable in lawful money of the United States of America by check or wire transfer or other transfer as may be acceptable to the registered owner of the Refunding Bond at its address as it appears on the registration books of the Registrar, except that the final installment of principal and all accrued interest on the Refunding Bond shall be payable upon presentation and surrender of the Refunding Bond at the office of the Clerk of the Town Council who is hereby appointed Registrar.

3. **“Bank-Qualified” Designation.** The Town hereby confirms its prior designation of the 2007 Bond upon issuance thereof in Calendar Year 2007 as a qualified tax-exempt, “bank-qualified” obligation pursuant to the terms and provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). To such end, the Town hereby affirms its compliance in Calendar Year 2007 with all such \$10 Million limitations set forth in such Section, and, accordingly, the deemed designation of that portion of the Refunding Bond allocable to the refinancing and current refunding of the outstanding portion of the 2007 Bond as a qualified tax-exempt, “bank-qualified” obligation pursuant to such Code Section; ***provided however***, to the extent necessary with respect to the refinancing and current refunding of the 1995 Bond, and further, to the extent necessary with respect to the refinancing and current refunding of the 2007 Bond (if at all), the Town hereby designates the Refunding Bond as a qualified tax-exempt, “bank-qualified” obligation pursuant to the terms and provisions of Section 265(b)(3) of the

Code 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 therewith.

In such regard, Bond Counsel has advised that the Town must take into account the issuance of the portion of the Refunding Bond allocable to the refinancing and current refunding of the 1995 Bond in determining the status of the Town as a "qualified small issuer" for the Calendar Year 2010 pursuant to the provisions of Section 265(b)(3) of the Code. To such end, the Town hereby affirms its reasonable expectation as to compliance with the various \$30,000,000 limitations currently applicable thereunder, including the covenant that the Town reasonably anticipates that no more than aggregate \$30,000,000 tax-exempt obligations shall be issued by the Town (and including any "subordinate" entities of the Town or "on behalf of" entities thereof within the meaning of the Code and regulations thereunder) during the current Calendar Year 2010 in accordance with the liberalized "bank qualification" requirements of Section 265(b)(3)(G) of the Code (added by the American Recovery and Reinvestment Act of 2009).

4. Prepayment. In accordance with the terms of the Commitment Letter from the Bank, the Town may prepay the Refunding Bond, in whole or in part, at anytime, upon thirty (30) days' notice of any such prepayment or redemption given by the Registrar to the Bank before the date fixed for prepayment or redemption, which notice may be waived by the holder of the Refunding Bond.

5. Nature of Obligation of Town under the Refunding Bond. The Refunding Bond shall be a general obligation of the Town for the payment of principal and interest on which its full faith and credit shall be irrevocably pledged and shall be payable from *ad valorem* taxes without limitation of rate or amount. Accordingly, there shall be levied and collected an annual tax upon all taxable property in the Town subject to local taxation sufficient to provide for the payment of the principal of and interest, if any, and premium, if any, on the Refunding 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 Town to the extent other funds of the Town are not lawfully available and appropriated for such purpose.

6. Tax Compliance. The Town hereby represents and warrants that all proceeds of the Prior Obligations have been duly expended by the Town for the essential governmental purposes as described therein and contemplated thereunder, respectively.

To such end, the Mayor and the Vice Mayor of the Town, either or both of whom may act, the Town Treasurer, and the Town Manager are each hereby authorized and directed at closing on the Refunding Bond to execute and deliver an appropriate Tax Certificate regarding non-arbitrage and the Town's compliance with provisions of Section 148 of the Code and regulations relating thereto (and any other applicable provisions thereof). Such Tax Certificate shall contain all such covenants as may be necessary in order to demonstrate the Town's compliance with such provisions of law. The Town further covenants that (i) the proceeds from the issuance and sale of the Refunding Bond shall not be invested and shall be expended on or immediately after the closing date thereof, all as set forth in this Resolution and further described in such Tax Certificate, and that the Town shall comply with the other covenants and representations contained therein, and (ii) the Town shall comply with the provisions of the Code, including the provisions of Section 148 thereof and applicable regulations relating to "arbitrage bonds" such that the proceeds of the

Refunding Bond shall be used (and shall continue to be used throughout the term of the Refunding Bond) by the Town for its essential governmental purposes, all in compliance with the Code, in order for the interest on the Refunding Bond to remain excludible from gross income for Federal income tax purposes.

7. Authorization as to Additional Documentation in Connection with the Refunding Bond. The Mayor, the Vice-Mayor, the Town Manager, the Town Treasurer, and the Clerk of the Town Council, and such other officers, employees and agents of the Town as may be requested are hereby authorized and directed to take all proper steps to have the Refunding Bond prepared and executed in accordance with its terms, and as may be advised by Bond Counsel to the Town, and to deliver the Refunding Bond upon payment therefore, and to execute such additional instruments, agreements, documents and certificates, including but not limited to any documentation as may be required by the Bank in connection with the purchase of the Refunding Bond and a Tax Certificate of the Town regarding federal tax compliance requirements in connection with the Refunding Bond, all as may be requested by Bond Counsel to the Town or the Town Attorney, or as otherwise required by the Bank, as the initial purchaser of the Refunding Bond, in furtherance of the purposes set forth herein. All such further actions consistent within the terms and provisions of the Commitment Letter and this Resolution shall be conclusively deemed as having been accepted and approved as authorized hereunder without any further acts or approvals.

8. Commitment Letter and this Resolution Constitute a Contract and Agreement With Bank. It is the intent of this Resolution, together with the Commitment Letter, among other things, to create a contract and agreement between the Town and the Bank in connection with the sale of the Refunding Bond by the Town and the purchase thereof by the Bank, including the terms and provisions of the loan from the Bank to the Town represented thereby, and all provisions of the Commitment Letter and this Resolution shall be construed accordingly.

9. Filing of Resolution. The Town Manager and all other appropriate officers or agents of the Town are hereby authorized and directed to cause a certified copy of this Resolution to be filed with the Circuit Court of Amherst County, Virginia, as required by the Public Finance Act.

10. Further Actions. The members of the Council, the Clerk of the Town Council, the Town Manager, and all officers, employees and agents of the Town are hereby authorized to take such action as they or anyone of them may consider necessary or desirable in connection with the issuance of the Refunding Bond, and any such action previously taken is hereby ratified and confirmed, in all respects.

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

Adopted: October 13, 2010

TOWN OF AMHERST, VIRGINIA

By: _____
Mayor/Vice-Mayor

Exhibit A: SunTrust Bank Commitment Letter, dated September 30, 2010

Exhibit B: Form of Refunding Bond

CERTIFICATE OF VOTES

The record of the roll-call vote by the Town Council of the Town of Amherst, Virginia, on the foregoing Resolution, duly adopted by the Town Council at its regular public meeting duly held on October 13, 2010, is as follows:

NAME	AYE	NAY	ABSTAIN	ABSENT
Richard Wydner, Jr.				
Bobby Joe Bondurant				
J. Paul Kilgore, Jr.				
Haney Mottley				
Harold Swisher				

Dated: October 13, 2010

[SEAL]

Clerk of Town Council
Town of Amherst, Virginia

**Town of Amherst, Virginia
Proposed Terms and Conditions**

EXHIBIT A

General Structure: Listed below is an outline of the significant terms and conditions of the financing subject to completion of due diligence and final credit approval.

Borrower: Town of Amherst, Virginia (the "Town")

Amount: a) Up to \$866,000 and/or;
b) Up to \$1,318,000

Facility: a) & b) A Tax-Exempt, Bank Qualified Note (the "Note"),

Purpose: a) To refinance the Union Hill Water Tank Project.
b) To refinance the Town's water plant.

Security: General Obligation pledge of the Town of Amherst, VA

Final Maturity: a) & b) 15 years from the date of closing.

Interest Rate:

Fixed Rate - Bank Qualified Term Note

	Current Rate
a) & b) 15 Year Fixed Rate	* 3.28%
<i>Upfront Costs</i>	
a) Bank Fee	\$1,000
b) Bank Fee	\$1,000
Accrual basis shall be 30/360 days	

**These rates will be held through October 29, 2010.*

Interest Due: Monthly, in arrears.

Amortization: The Note will be amortized monthly over 15 years on a mortgage style schedule.

Closing: To be determined upon acceptance.

Optional Redemption: a) & b) At any time without penalty with 30 days notice.

Funding: The Note will be fully funded at closing.

Documentation:

- Note Agreement between SunTrust and the Town;
- General Obligation Resolution from the Town Council indicating approval of the financing;
- Others as required by bond counsel.

Town of Amherst, Virginia Proposed Terms and Conditions

**Legal Fees and
Transaction Costs:**

The Town will pay all fees and expenses of the transaction including, but not limited to, reasonable fees and expenses of its Counsel.

Legal Opinions:

Bond Counsel will give the customary opinion as to authorization, validity, permits and other matters requested by the Bank. A satisfactory opinion of recognized bond counsel on the bank qualified status of the Note and the exclusion of interest from gross income for Federal and State income taxes would be necessary at or prior to closing.

General Covenants:

- Timely payment of principal and interest as required by the Note Agreement;
- The Town will provide written assurance that no material deterioration exists in the financial condition from that reported in fiscal 2009;
- Annual receipt of the Town's CAFR;
- Others as customary for this type of transaction.


Acceptance of Proposal:

Acceptance of SunTrust's proposal should be directed to any of the following.

Dennis Howard
(434) 847-2356

Tim Cecil
(804) 782-5219

Submitted By:



Dennis R. Howard
Senior Vice President
SunTrust Bank

Disclaimer

This Term sheet is presented to the above-referenced borrower in connection with a credit facility proposed by SunTrust Bank. This Term Sheet describes some of the basic terms proposed to be included in loan documents between the Bank and the borrower. This Term Sheet is for discussion purposes only and is not a commitment, nor does it purport to summarize all of the conditions, covenants, representations, warranties, events of default or other provisions that may be contained in documents required to consummate this financing. The terms are subject to standard credit underwriting and approval and to negotiation and execution of loan documents in form and substance satisfactory to the Bank and its counsel. This Term Sheet is confidential and may not be disclosed to third parties without prior consent of the Bank.

R-1

\$ _____

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA
TOWN OF AMHERST
GENERAL OBLIGATION REFUNDING BOND
SERIES 2010 (“BANK-QUALIFIED”)

The TOWN OF AMHERST, VIRGINIA (the "Town"), for value received hereby acknowledges itself indebted and promises to pay to SunTrust Bank (the "Bank") the principal sum of _____ (\$_____), on or before [*November 15*], 2025, unless sooner prepaid as provided herein, and to pay interest on the outstanding principal amount of this Refunding Bond at the annual rate of 3.28% per annum (the "Tax Exempt Rate") from the date of this Refunding Bond.

Payments of principal and interest as set forth on the attached Schedule shall be payable on the 15th day of each month, in arrears, commencing on [*December 15*], 2010, and continuing monthly thereafter until this Refunding Bond shall be paid, in full. This Refunding Bond shall mature, and all principal shall be due hereunder, including any accrued interest thereon, no later than [*November 15*], 2025, if not sooner prepaid in accordance with the terms hereof.

Interest shall be computed based on a 30-day monthly interest installment period divided by a 360-day year.

Upon notice to the Town, transfer of this Refunding Bond may be registered upon books maintained for that purpose at the office of the Clerk of the Town Council, as the duly appointed Registrar hereof. Prior to due presentment for registration of transfer, the Registrar shall treat the registered owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner. In case the date fixed for the payment of principal or interest on this Refunding Bond is a date on which banking institutions are authorized or obligated by law to close, then payment of the principal and interest hereof need not be made on such date, but may be made on the next succeeding date which is not such a date,

and if made on such next succeeding date no additional interest shall accrue for the period after such date of payment. *[If any such installment under this Refunding Bond is not paid within ten (10) days after its due date, the Town shall be obligated to pay the registered owner _____].*

This Refunding Bond may be paid or redeemed, in whole or in part, at any time, upon thirty (30) days' notice thereof from the Registrar to the Bank, which notice may be waived, before the date fixed for prepayment or redemption.

This Refunding Bond is being issued pursuant to the terms and provisions of that certain Resolution, duly adopted by the Town Council of the Town on October 13, 2010 (the "Authorizing Resolution"). The proceeds of this Refunding Bond shall be used by the Town on the date hereof Pursuant to refinance and currently refund the outstanding amount of (i) the Town of Amherst, Virginia Water System General Obligation Bond, Series 1995, issued by the Town to the United States of America on August 8, 1995, in the original principal amount of \$2,000,000, in order for the Town to pay the costs to improve and extend the Town's water system (the "1995 Bond"), and (ii) the Town of Amherst, Virginia Water System Improvement General Obligation Bond, Series 2007, issued by the Town to Carter Bank & Trust on December 31, 2007, in the original principal amount of \$1,230,000, in order for the Town to pay the costs to construct a new water storage tank (the "2007 Bond", and sometimes referenced together with the 1995 Bond, the "Prior Obligations").

This Refunding Bond shall be a general obligation of the Town for the payment of principal and interest on which its full faith and credit shall be irrevocably pledged and shall be payable from ad valorem taxes without limitation of rate or amount, to the extent other monies of the Town are not lawfully available and appropriated therefore.

Pursuant to the Authorizing Resolution, the Town has confirmed its prior designation of the 2007 Bond being refinanced and currently refunded with a portion of the proceeds hereof as a qualified tax-exempt, "bank-qualified" obligation under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). Further, the Town affirmed its compliance in Calendar Year 2007 with all such \$10 Million limitations set forth in such Section, and, accordingly, the deemed designation of the portion hereof allocable to the refinancing and current refunding of the outstanding portion of the 2007 Bond (namely, the amount of \$_____) as a qualified tax-exempt, "bank-qualified" obligation pursuant to such IRC Section; **provided**

however, to the extent necessary with respect to the refinancing and current refunding of the 1995 Bond, and further, to the extent necessary with respect to the refinancing and current refunding of the 2007 Bond (if at all), the Town has designated this Refunding Bond as a qualified tax-exempt, "bank-qualified" obligation pursuant to the terms and provisions of Section 265(b)(3) of the Code 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 therewith. In such regard, the Town has affirmed its reasonable expectation as to compliance with the various \$30,000,000 limitations currently applicable thereunder during Calendar Year 2010, including the covenant that the Town reasonably anticipates that no more than aggregate \$30,000,000 tax-exempt obligations shall be issued by the Town (and including any "subordinate" entities of the Town or "on behalf of" entities thereof within the meaning of the Code and regulations thereunder) during the current Calendar Year 2010 in accordance with the liberalized "bank qualification" requirements of Section 265(b)(3)(G) of the Code (added by the American Recovery and Reinvestment Act of 2009).

The Tax-Exempt Rate shall be subject to adjustment as set forth in the following paragraphs:

A. The interest rate on this Refunding Bond is subject to increase or decrease as provided herein. So long as no event of taxability has occurred, if at any time, or from time to time, there is an increase or decrease in the maximum federal marginal income tax rate applicable to the holder of this Refunding Bond (the "Holder"), then the interest rate hereon shall be increased or decreased, on a monthly basis as set forth herein in connection with the Tax-Exempt Rate, effective as of the effective date of the increase or decrease in such maximum federal marginal income tax rate, to the tax equivalent yield on this Refunding Bond multiplied by the difference between one (1) and the new federal marginal income tax rate (expressed as a decimal). If there shall be any change in the federal income tax laws, by statute or regulation, or in the interpretation thereof the effect of which is to increase the Holder's cost of holding the Refunding Bond (e.g., a change in Section 265 of the Code), by the complete or partial disallowance of a deduction or otherwise, the Town shall reimburse the Holder for such increase in cost plus the additional federal and state income taxes which the Holder will incur by reason of including the reimbursement in its income. The Holder's good faith estimate of such increase and such additional taxes, absent clear and manifest error, shall be determinative of the amount payable by the Town as provided herein. Such amount shall be payable with respect to each taxable year of the Holder and shall be paid within thirty (30) days after the later of (i) the Holder's notification to the Town of the amount payable with respect to such taxable year, and (ii) the last day of such taxable year. For purposes of this paragraph, the failure of this Refunding Bond to be a qualified tax-exempt obligation (as defined in Section 265(b)(3) of the Code) shall be deemed to be such a change in the federal income tax laws.

B. From and after an event of taxability, in addition to the interest on this Refunding Bond, as set forth above, the Town shall pay to the Holder of this Refunding Bond, supplemental interest hereon such that the interest rate hereon is equal to the corresponding conventional rate to be equivalent to the Tax-Exempt Rate stated herein. Accordingly, in such event, interest on this Refunding Bond shall accrue at a rate equal to the correlating taxable rate to the Exempt Rate of Interest (the "Taxable Rate") from the date interest on this Refunding Bond becomes subject to federal income taxation as a result of a event of taxability. Interest at the Taxable Rate shall be payable at the same times and in the same manner as otherwise provided herein. The term "interest," as used herein, shall include such supplemental interest, to the extent payable. Supplemental interest accruing prior to a determination of taxability shall be immediately due and payable on the date of such determination of taxability. Supplemental interest accruing thereafter shall be payable at the same time, together with any regularly scheduled installments of principal and interest, at the same time and in the same manner.

C. Additionally, the Holder hereof shall be paid a supplemental payment equal to the amount required to be paid by the Town to reimburse the Holder of this Refunding Bond for any interest, penalties or other charges assessed by reason of failure to include interest on this Refunding Bond in the Holder's federal gross income (hereinafter "Unpaid Tax Penalties"). The Town shall make payments of supplemental interest and Unpaid Tax Penalties to each person who presents written proof satisfactory to the Town that on or after the event of taxability, such person was a Holder of this Refunding Bond. It is expressly intended that to the extent interest received on this Refunding Bond may become subject to federal income taxation as a result of a determination of taxability, the supplemental interest and Unpaid Tax Penalties which would have been payable to the Holder hereof but for the payment or authorized transfer hereof shall continue, notwithstanding such payment or transfer, as an obligation of the Town.

D. The Holder of this Refunding Bond by its acceptance hereof shall agree, if requested by the Town, to have an attorney-in-fact, qualified to practice before the Internal Revenue Service, designated by the Town for the purpose of appealing or challenging any determination of taxability, provided the Town, to the extent permitted by law, shall provide indemnity or other assurance reasonably satisfactory to the Holder of this Refunding Bond to indemnify or otherwise save it harmless against any additional tax liability, penalties or interest that may result from any such appeal and agrees to pay legal fees and costs incurred in prosecuting such appeal including all reasonable legal fees and costs. In the event a final judgment or order shall have been entered within 90 days of the determination of taxability finding that no event of taxability has occurred, the Holder of this Refunding Bond shall reimburse to the Town all supplemental interest which has been paid hereon, and no additional supplemental interest shall be payable unless and until an event of taxability shall subsequently occur. Notwithstanding anything herein to the contrary, the right of the Town to challenge any determination of taxability shall terminate if no such final judgment or order shall have been entered within 90 days after the occurrence of the determination of taxability, unless the Holder of this Refunding Bond shall otherwise agree, and after the expiration of such 90 day period without the entry of a final judgment or order, the Holder of this Refunding Bond may exercise its right to call the Refunding Bond in full, in which case the Town shall prepay the Refunding Bond in full. In addition, unless the Town shall otherwise provide reasonable indemnification or other acceptable assurance to the Holder of this Refunding Bond, the right of the Town to challenge any determination of taxability shall terminate if the exercise of such right would cause any tax return of the Holder to be inaccurate or would delay the timely filing thereof or would in the Holder's opinion result in an adverse impact on its tax returns.

The intent of the foregoing provisions is to fix for the Holder hereof a yield on this Refunding Bond equal at all times to the yield receivable under tax law, regulations and interpretations existing as of the date of original issue of this Refunding Bond which yield has been used in determining the interest rate on this Refunding Bond, and, further, to impose on the Town the obligation to pay supplemental interest in an amount necessary to compensate the Holder hereof if the interest on this Refunding Bond is not excluded from gross income or is not exempt from the alternative minimum tax or the statutory deduction for "cost of carry" is not available under Section 265 of the Code. Such provisions shall be construed accordingly.

This Refunding Bond is duly authorized and issued in compliance with and pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Public Finance Act of 1991, Chapter 26 of Title 15.2, Code of Virginia, 1950, as amended, the Town Charter, and the Authorizing Resolution in order to refinance and current refund the outstanding amounts of the Prior Obligations, respectively, all as further described in the Authorizing Resolution.

All acts, conditions and things required by the Constitution and laws of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Refunding Bond have happened, exist and have been performed in due time, form and manner as so required, and this Refunding Bond, together with all other indebtedness of the Town, within every debt and other limit prescribed by the Constitution and laws of the Commonwealth of Virginia and the Town Charter.

IN WITNESS WHEREOF, the Town Council of the Town of Amherst, Virginia, has caused this Refunding Bond to be issued in the name of the Town of Amherst, Virginia, to be signed by its Mayor or Vice-Mayor, its seal to be affixed hereto and attested by the signature of its Clerk of the Town Council, and this Refunding Bond to be dated October 29, 2010.

TOWN OF AMHERST, VIRGINIA

[SEAL]

By: _____
Mayor/ Vice-Mayor
Town of Amherst, Virginia

ATTEST:

Clerk of Town Council
Town of Amherst, Virginia

(Form of Assignment)

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

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(Please print or type Name and Address, including postal zip code of Transferee)

the within Refunding Bond and all rights under it, irrevocably constituting and appointing
_____, Attorney to transfer the Refunding Bond on the
books kept for its registration, with full power of substitution.

Date: _____

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

Registered Owner
NOTICE: The signature above must
correspond with the name of the Owner
exactly as it appears on the front of
this Refunding Bond.

(End of Form of Assignment)

A RESOLUTION REQUESTING AN OPEN PERMIT FOR PARADES AND WAIVER OF ALL FEES ASSOCIATED THEREWITH.

WHEREAS, parades in the Town of Amherst are non-profit events sponsored by community groups, and such activities are among those that contribute to the excellent quality of life enjoyed by residents of the greater Amherst area;

WHEREAS, parade events in the past have been in recognition of nonrecurring events such as the Fourth of July, the arrival of the National Capital Holiday Tree, the Town's Centennial Anniversary, and Ronald McDonald as well as the annual Ray Puckett Amherst Lions Christmas Parade;

WHEREAS, parades in the Town of Amherst usually form up on N. Main Street between Monitor Road and Grandview Drive and run from the traffic circle to the library; and

WHEREAS, the Town of Amherst Police Department is responsible for coordinating traffic control during such events;

THEREFORE, BE IT RESOLVED, the Town Council of the Town of Amherst hereby requests that VDOT issue an open permit for parades in the Town of Amherst to the Town of Amherst; and

BE IT FURTHER RESOLVED, that the Town Council of the Town of Amherst hereby requests that all fees associated with such a permit be waived.

This Resolution was adopted by the Town Council of the Town of Amherst on October 13, 2010.

Mayor Jacob P. Bailey

Attest: _____
Clerk of Council