

10. CONSIDERATION OF A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A REVENUE ANTICIPATION NOTE

As we discussed at your retreat on August 10, Mr. Britt and Mrs. Lowe have advised me that cash flow will likely be insufficient to cover anticipated expenditures for the months of August, September, October, and perhaps November. Section 15.2-2629 of the Public Finance Act provides that localities may borrow money and issue a note in anticipation of the collection of taxes for the current year provided that the amount of the note may not exceed anticipated revenues.

As shared with you by email on August 14, we received only one financing proposal from SunTrust Bank. They offered a variable rate, tax-exempt, bank qualified, nonrevolving line of credit. The proposed rate is 65% of the (1 Month LIBOR rate + 1.75%), which currently equals 1.26%. The 1-month LIBOR is 5 basis points lower (0.19) than it was at the same time last year.

The line of credit is for up to \$3.5 million, but will only be drawn down as Mrs. Lowe and Mr. Britt deem necessary. The note will mature on 12/31/13, but I would expect to have it fully paid off well in advance of that, most likely by the end of November. There is no prepayment penalty.

The bank is charging a fee of \$6,000 + its cost of issuance which is estimated at \$2,500 or less. They also require the opinion of bond counsel (McGuire Woods) which I expect to cost approximately \$7,500. At the current rate, interest will accrue at roughly \$35/day for each \$1 million that is outstanding.

As you may recall from last year, the Board is required to adopt a resolution authorizing the issuance and sale of the revenue anticipation note, before the Treasurer may act - I've attached a draft copy of the required resolution, including the Form of Note, for your reference.

MOTION REQUIRED: A motion is required to adopt the attached resolution.

County of Southampton
Proposed Terms and Conditions

General Structure: Listed below is an indicative outline of the significant terms and conditions of the financing, subject to completion of due diligence and final credit approval by the STI Institutional & Government, Inc. ("STING" or "Lender").

Borrower: County of Southampton (the "County")

Lender: SunTrust Institutional & Government, Inc. ("STING" or "Lender").

Amount: Up to \$3,500,000

Facility: Tax Exempt, Bank Qualified Non-Revolving Line of Credit Revenue Anticipation Note (the "Note")

Security: The Note will be a General Obligation of the County.

Purpose: To provide funding for cash short falls in anticipation of the receipt of taxes and other revenues.

Final Maturity: December 31, 2013

Interest Rate:

Variable Rate - Tax Exempt Note

	Current Rate
Variable Rate - 65% of (1 month LIBOR plus 1.75%)	*1.26%
<i>Upfront Costs</i>	
Bank Fee	\$6,000
Accrual basis shall be Actual/360 days	

**This rate is an indication only. Actual rate will be set at closing and adjusted monthly thereafter based on the formula above.*

Interest Due: Monthly, in arrears.

Amortization: None prior to maturity. The Note will be required to be paid off by December 31, 2013.

Draw Schedule: The County may draw funds up to 2 times per month in a minimum amount of \$50,000.

County of Southampton
Proposed Terms and Conditions

Optional Redemption: The County may prepay the Note, in whole or in part, at any time without penalty.

Closing Date: To be determined upon acceptance.

Yield Maintenance Language: If it is determined that the Bond does not qualify as a tax exempt, bank qualified obligation, the rate will be adjusted as of the date it is determined that the loan does not qualify as BQ.

The interest rates quoted herein take into consideration a marginal maximum federal corporate tax rate of 35%. In the event of a decrease in the marginal maximum corporate tax rate, the Lender shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield for the Lender.

If a determination of taxability event occurs the rate will be adjusted upwards to a rate determined necessary by Lender to maintain the same after-tax yield. Upon an occurrence of a Determination of Taxability, the Borrower hereby agrees to pay to the Lender (i) an additional amount equal to the difference between (A) the amount of interest paid on the Bonds during the Taxable Period and (B) the amount of interest that would have been paid on the Bonds during the Taxable Period had the Bonds borne interest at the Taxable Rate, plus (ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the occurrence of a Determination of Taxability.

Documentation:

- Note between Lender and the County;
- General Obligation resolution passed by County's Board of Supervisors authorizing the proposed RAN transaction;
- Others as required by Bond Counsel.

Legal Fees and Transaction Costs: The County will pay all fees and expenses of the transaction including but not limited to reasonable fees and expenses of its counsel and Lender Counsel. We do not expect Bank counsel fees to exceed \$2,500.00.

County of Southampton
Proposed Terms and Conditions

Legal Opinions:

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

General Covenants:

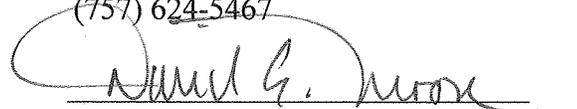
- Timely payment of principal and interest as required by the Note ;
- The County will provide written assurance that no material deterioration exists in the financial condition from that reported in Fiscal 2012 audited financial statements.

Acceptance of Proposal:

Acceptance of the Lender's proposal should be directed to the following:

David E. Moore
(757) 624-5467

Submitted By:


David E. Moore
Senior Vice President
SunTrust Institutional & Government, Inc.

Disclaimer

This Term Sheet is presented to the Borrower in connection with a credit facility proposed by SunTrust Institutional & Government, Inc. ("STING" or "Lender"). It describes some of the basic terms proposed to be included in documents between the Lender and 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 Lender and its counsel.

**A RESOLUTION OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF SOUTHAMPTON, VIRGINIA
AUTHORIZING THE ISSUANCE AND SALE OF
THE COUNTY'S REVENUE ANTICIPATION NOTE**

WHEREAS, the Board of Supervisors (the "Board") of the County of Southampton, Virginia (the "County") proposes to authorize the issuance of a line-of-credit or revenue anticipation note in anticipation of the collection of the taxes and revenues of the County pursuant to Section 15.2-2629 of the Code of Virginia of 1950, as amended (the "Virginia Code");

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SOUTHAMPTON, VIRGINIA:

1. Authorization of Note. The Board of Supervisors hereby authorizes the issuance and sale of the County's line-of-credit or revenue anticipation note (the "Note") in the maximum principal amount of \$3,500,000 in anticipation of the collection of the taxes and revenues of the County, pursuant to Section 15.2-2629 of the Virginia Code.

2. Details and Sale of Note. The Note shall be issued upon the terms established pursuant to this Resolution and upon such other terms as may be determined in the manner set forth in this Resolution. The Note shall be issued in fully registered form, shall be dated the date of its issuance and delivery, shall be in the form of a single registered note. The County Administrator and the County Treasurer, or either of them, is authorized and directed to accept a proposal for the purchase of the Note and to approve the terms of the Note, provided that the principal amount of the Note shall not exceed the amount set forth in paragraph 1, the Note shall mature not later than December 31, 2013 subject to such prepayment terms as may be approved by the County Administrator and the County Treasurer or either of them and the interest rate on the Note shall not exceed 3.5%, or if a variable rate or taxable rate is approved, the variable rate or taxable rate will be subject to a cap of 4.75%.

3. Execution of Note. The Treasurer is authorized and directed to execute an appropriate negotiable Note and the Clerk of the Board of Supervisors is authorized and directed to affix the seal of the County thereto and such officers are authorized and directed to deliver the Note to the purchaser thereof.

4. Non-Arbitrage Certificate and Tax Covenants. The County Administrator and the Treasurer, or either of them, and such officers and agents of the County as either such officer may designate are authorized and directed to execute a Non-Arbitrage Certificate and Tax Covenants setting forth the expected use and investment of the proceeds of the Note and containing such covenants as may be necessary in order to comply with the provisions of the Internal Revenue Code of 1986, as amended ("Code"), including the provisions of Section 148 of the Code and applicable regulations relating to "arbitrage bonds."

5. Bank Qualification. The Board designates the Note as a "qualified tax-exempt obligation" 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 Code. The Board does not reasonably anticipate that it and any "subordinate entities" will issue more than \$10,000,000 in tax-exempt obligations during calendar year 2013 and the Board will not designate more than \$10,000,000 of qualified tax-exempt obligations pursuant to such Section 265(b)(3) in calendar year 2013.

6. Further Actions. The County Administrator, the Treasurer, and such officers and agents of the County as either of them may designate are authorized and directed to take such further action as they deem necessary regarding the issuance and sale of the Note and all actions taken by such officers and agents in connection with the issuance and sale of the Note are ratified and confirmed.

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

At a regular meeting of the Board of Supervisors of the County of Southampton, Virginia, held on the 26th day of August, 2013, the following Board of Supervisors members were recorded as present or absent:

PRESENT:

ABSENT:

On motion by _____, seconded by _____, the attached Resolution was adopted by a majority of the members of the Board of Supervisors present at such meeting by a recorded vote, the votes being recorded as follows:

MEMBER

VOTE

Clerk, County of Southampton, Virginia

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA**

COUNTY OF SOUTHAMPTON

**REVENUE ANTICIPATION NOTE
SERIES 2013**

For value received, **COUNTY OF SOUTHAMPTON, VIRGINIA** (the "County") acknowledges itself indebted and promises to pay to the order of **SUNTRUST INSTITUTIONAL & GOVERNMENT, INC.** (the "Bank"), as registered owner of this Note or legal representative, the principal amount of

THREE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$3,500,000),

or such lesser amount as has been advanced hereunder, together with interest on the outstanding principal amount of this Note at an annual rate equal to 65% of the sum of 1-month LIBOR plus 1.75%, such interest rate to be adjusted monthly and determined by the Bank on the date of this Note and on October 1, 2013, November 1, 2013 and December 1, 2013. Subject to prepayment, principal of this Note shall be paid at maturity on December 31, 2013. Interest on this Note shall be calculated on the basis of a 360 day count applied to actual days elapsed and paid on October 1, 2013, November 1, 2013, December 1, 2013 and at maturity on December 31, 2013. Both principal of and interest on this Note are payable in lawful money of the United States of America. Principal of this Note is payable upon presentation and surrender hereof at the office of the County Treasurer.

The principal sum payable under this Note shall be equal to the sum of the amounts advanced by the Bank as requested by the County, as shown on the table appearing at the end of this Note or on a separate ledger maintained by the Bank. The County may request up to two advances per month, in a minimum amount of \$50,000.00 each, from the date hereof until maturity.

The County agrees to pay the Bank on the date hereof a closing fee in the amount of \$6,000.

In the event of a decrease in the marginal maximum federal corporate tax rate applicable to the Bank, the interest rate on this Note shall be increased to an interest rate that provides a yield to the Bank equivalent to the yield before such decrease in the marginal maximum federal corporate tax rate. The Bank shall provide written notice to the County of any such interest rate adjustment, including the basis therefor, and absent manifest error such adjustment by the Bank shall be conclusive.

If a Determination of Taxability (as defined below) occurs the interest rate on this Note shall be adjusted to provide a yield to the Bank equal to the yield before such Determination of

Taxability (the "Taxable Rate"). The Bank shall provide written notice to the County of any such adjustment, including the basis therefor and, absent manifest error, such adjustment by the Bank shall be conclusive. Following any such Determination of Taxability, the County shall pay (i) interest on this Note at the Taxable Rate and (ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Internal Revenue Code of 1986, as amended (the "Code") owed by the Bank as a result of any Determination of Taxability. A Determination of Taxability will occur in the event all or any part of any payment of interest on this Note is determined by the Commissioner or any District Director of the Internal Revenue Service or any court of competent jurisdiction not to be excludable from gross income (other than pursuant to the alternative minimum tax imposed on corporations under Section 56 of the Code). This Note is subject to optional prepayment in whole or in part before maturity at any time or from time to time without penalty or premium upon payment of the principal amount to be prepaid plus accrued interest on such amount to the prepayment date. The County shall give the Bank at least 10 days written notice of its intent to prepay this Note.

This Note has been duly authorized by the Board of Supervisors of the County and is issued in anticipation of the collection of taxes and revenues of the County for the current year and such taxes and revenues are pledged for the payment of the principal of and interest on this Note in accordance with its terms.

This Note is issued under the authority of and in full compliance with the Constitution and statutes of the Commonwealth of Virginia, and, more particularly, issued pursuant to the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Code of Virginia of 1950, as amended and a resolution adopted by the Board of Supervisors of the County on August 26, 2013 ("Resolution").

It is hereby certified and recited that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to the issuance of this Note have happened, exist or been performed in due time, form and manner as so required and that the indebtedness evidenced by this Note is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Board of Supervisors of the County of Southampton, Virginia, has caused this Note to be signed by the Treasurer of the County and its seal to be affixed and attested by the Clerk of the Board of Supervisors and this Note to be dated August ____, 2013.

COUNTY OF SOUTHAMPTON, VIRGINIA

By: _____
Treasurer, County of Southampton, Virginia

[SEAL]

Attest:

Clerk, Board of Supervisors,
County of Southampton, Virginia

Certificate of Outstanding Principal Amount

The principal sum outstanding under this Note, not to exceed a maximum of \$3,500,000 shall be an amount equal to the aggregate of all principal advances noted hereunder. The aggregate amount of all principal advances under this Note shall be certified by an authorized representative of the registered owner of this Note.

<u>Amounts Advanced</u>	<u>Date of Advance</u>	<u>Authorized Signature</u>
\$ _____	08/___/2013	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: _____

the within Note and does hereby irrevocably constitute and appoint

_____, attorney, to transfer said Note on the books kept for registration of said Note, with full power of substitution in the premises.

Dated _____

Signature Guaranteed:

(NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union or Savings Association which is a member of a medallion program approved by The Securities Association, Inc.)

Registered Owner
(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for registration of this Note in every particular, without alteration or change.)

**COUNTY OF SOUTHAMPTON, VIRGINIA
NON-ARBITRAGE CERTIFICATE AND TAX COVENANTS**

**ARTICLE I
NON-ARBITRAGE CERTIFICATIONS**

The undersigned officer of the County of Southampton, Virginia (the "County"), certifies in good faith that as of the date of this Certificate (the "Closing Date") the following exist or are reasonably expected to occur:

Responsible Officer

1. The undersigned officer of the County is among the County's officers charged by a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on August 26, 2013 with the responsibility of issuing the County's \$3,500,000 Revenue Anticipation Note, Series 2013 (the "Note").

Issuance of Note; Terms of Note

2. On this date the County has issued the Note. The Note is dated August ____, 2013 (the "Closing Date"). Principal of the Note is payable at maturity. Interest on the Note is payable monthly at a variable rate as set forth therein.

Proceeds from Sale

3. SunTrust Institutional & Government, Inc. (the "Bank"), as purchaser of the Note, will pay the purchase price of the Note in periodic advances as requested by the County in the aggregate amount not to exceed \$3,500,000. The County has this date received from the Bank the first advance of principal of the Note in the amount of \$_____.

4. The County will physically deliver the written evidence of the Note on the Closing Date to or upon the order of the Bank in exchange for the first advance of principal.

5. The Closing Date is not earlier than the first day on which interest begins to accrue on the Note.

Yield

6. The yield on the Note is variable and has not been calculated because the County expects to qualify for an exception from the rebate requirement pursuant to Sections 148(f)(4)(B) and 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended (the "Code").

Separate Issue

7. There have been and will be issued no obligations that would be deemed to be (i) sold within 15 days before or after August ____, 2013 (the "Sale Date"), (ii) sold pursuant to a common plan of financing with the Note, and (iii) paid out of substantially the same source of

funds as the Note (or deemed to have substantially the same claim to be paid out of substantially the same source of funds).

No Hedge Contract

8. The County has not entered into any Hedge Contract (as defined below) with respect to the Note. A "Hedge Contract" is a contract entered into primarily to reduce a tax-exempt bond issuer's risk of interest rate changes with respect to a borrowing. For example, a Hedge Contract may be an interest rate swap, an interest rate cap, a futures contract, a forward contract (with respect to the interest rate on the Note), or an option.

Purpose of Note

9. The County is issuing the Note and using the proceeds of the sale thereof to pay certain appropriations for the current year in anticipation of the collection of taxes (the "County's Expenses").

Proceeds of Note

10. The proceeds of the Note will be expended as needed to pay the County's Expenses on or after the Closing Date until maturity of the Note on December 31, 2013.

Qualification for 13-Month Temporary Period

11. All amounts, including any investment proceeds on the Note, are eligible for investment without yield restriction for a period of 13 months after the date hereof (the "Issue Date") under Treas. § 1.148-2(e)(3).

Investment of Note Proceeds

12. No portion of the Note is being issued solely for the purpose of investing the proceeds thereof at a yield materially higher than the Note Yield.

No Other Accounts

13. Other than the funds and amounts described above, there is reasonably expected to be no moneys, securities, obligations, annuity contracts, residential rental property, specified private activity bonds (as defined in Section 57(a)(5)(C) of the Code), investment-type property or sinking, reserve or other funds that will be accumulated or held and pledged as security for the payment of the principal of or interest on the Note or which will be available to pay, directly or indirectly, the Note or for any other purpose with respect to the Note. The County will not create or establish any other sinking fund or similar account with respect to the Note, unless the County obtains an opinion of nationally recognized bond counsel that the creation or establishment of any such account will not cause the Note to be an arbitrage bond.

Reimbursement

14. No portion of the proceeds of the Note will be used to reimburse the County for amounts previously expended.

No Overburdening

15. The amount received by the County from the sale of the Note does not exceed the amount necessary for the governmental purpose of the Note.

No Refunding of Refinancing

16. The proceeds of the Note will not be used to provide for the payment of any principal of or interest on any obligation of the County incurred in the exercise of its borrowing power.

No Abusive Arbitrage Device

17. The County has not used and will not use an "abusive arbitrage device" in connection with the Note. Any action is an "abusive arbitrage device" if the action has the effect of (i) enabling the County to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage and (ii) overburdening the tax-exempt bond market. Except as otherwise provided in Treas. Regs. § 1.148-10(c), any action that is expressly permitted by Section 148 of the Code and Treas. Regs. § 1.148-1 through Treas. Regs. § 1.148-11 is not an abusive arbitrage device (e.g., investment in higher yielding investments during a permitted temporary period under Section 148(c) of the Code).

Rebate Exceptions

18. The County agrees that it will not take any action, or omit to take any action, if any such action or omission would adversely affect the exclusion from gross income of interest on the Note under Section 103 of the Code. The County agrees that it will not directly or indirectly use or permit the use of any proceeds of the Note or any other funds of the County to take or omit to take any action that would cause the Note to be an "arbitrage bond" under Section 148(a) of the Code. To these ends, the County will comply with all requirements of Sections 141 through 150 of the Code, including the rebate requirement of Section 148(f), to the extent applicable to the Note. The County anticipates that all proceeds of the Note will be spent within six (6) months after issuance of the Note.

Working Capital Expenditures

19. During the period from the date hereof through December 31, 2013, there will be no available amounts in any of the County's accounts which without legislative or judicial action could be used to pay the County's Expenses, during such period, without a legislative, judicial or contractual requirement that such accounts be reimbursed, except for a working capital reserve of less than 5% of the County's expenditures during the County's fiscal year ended June 30, 2013, which such working capital reserve shall not be an "available amount" under Treas. Reg. §

1.148-6(d)(3). As proceeds of the Note are spent, such amounts will be allocated to working capital expenditures and will no longer be considered Note proceeds.

ARTICLE II TAX COVENANTS

The undersigned officer represents, covenants, and agrees on behalf of the County as follows:

Rebate Requirement

1. The County agrees to take all steps necessary to cause the requirements of Section 148(f) of the Code to be complied with, including but not limited to all reporting and rebate requirements. The County recognizes that the provisions of Section 148 of the Code require a rebate to the United States in certain circumstances.

Notwithstanding anything herein to the contrary, no payment shall be required to be made by the County to the United States under this Section if the County has upon the advice of nationally recognized bond counsel has determined that such payment is not required under Section 148(f) of the Code in order to prevent the Note from becoming an "arbitrage bond."

Consumer Loan Restriction

2. Not more than 5% of the proceeds of the Note will be used, directly or indirectly, to make or finance loans to persons other than state or local government units.

No Federal Guaranty

3. The County will not take or permit any action which would cause the Note to be "federally guaranteed" within the meaning of Section 149(b) of the Code and applicable Treasury Regulations.

Bank Qualification

4. The County has designated the Note as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. The County does not reasonably anticipate that the amount of tax-exempt obligations (not including private activity bonds for entities other than organizations described in Section 501(c)(3) of the Code) which will be issued by the County and any "subordinate entities" during calendar year 2013 will exceed \$10,000,000. The County will not designate more than \$10,000,000 of tax-exempt obligations pursuant to Section 265(b)(3) of the Code during calendar year 2013.

No Pooled Financing Notes

5. The County certifies that the proceeds of the Note will not be used directly or indirectly to make or finance loans to two or more ultimate borrowers within the meaning of Section 149(f)(4) of the Code.

Information Reporting

6. The information contained in the IRS Form 8038-G executed and to be filed in connection with the issuance of the Note is true and correct.

Registration Requirement

7. The County agrees to maintain the Note in registered form within the meaning of Section 149(a) of the Code.

Recordkeeping Requirements

8. (a) The County will maintain and/or retain the following records (or to cause them to be maintained and/or retained) (collectively, the "Material Records"):

The bound bond transcript for the Note;

Documentation evidencing the expenditure of the proceeds of the Note;

Documentation evidencing all sources of payment or security for the Note;

Any calculations of any rebate amount and copies of any Forms 8038-T filed with the IRS with respect to the Note; and

Documentation pertaining to any investments of proceeds of the Note.

(b) The County will keep the Material Records in a manner that ensures their complete access to the IRS. This may be accomplished through the maintenance of hard copies or by maintenance of the Material Records in an electronic format if the requirements of Rev. Proc. 97-22, 1997-1 C.B. 652 (or any successor thereto) are satisfied. The County will keep the Material Records until the third anniversary of the final maturity or redemption date of the Note.

Miscellaneous

9. The County will not take any action or approve the making of any investment or use of proceeds of the Note or the taking of any other action which would cause the Note to be an arbitrage obligation within the meaning of Section 148 of the Code and applicable Treasury Regulations.

10. In the event an action takes place (or is anticipated to take place) that will cause interest on the Note to be includable in gross income for federal tax purposes, the County will consult with bond counsel as soon as possible upon learning to the action concerning any remedial action that may be required as described in Treas. Reg. section 1.141-12, including any action under the Voluntary Closing Agreement Program pursuant to IRS Notice 2008-31. As advised by bond counsel, the County will take all actions necessary and most feasible based upon the County's discussions with bond counsel to ensure that the "nonqualified bonds" are properly remediated in accordance with the requirements in the Treasury Regulations.

11. To the best of my knowledge, information and belief, the above expectations are reasonable and there are no other facts, estimates or circumstances that would materially change the expectations expressed herein.

12. The terms used herein have the same meaning as those given them in Section 148 of the Code and the Treasury Regulations issued thereunder by the United States Department of Treasury.

Dated: August ___, 2013

COUNTY OF SOUTHAMPTON, VIRGINIA

County Administrator

[Signature Page to Non-Arbitrage Certificate]

August __, 2013

Board of Supervisors
Southampton County
P.O. Box 400
Courtland, Virginia 23837

SunTrust Institutional & Government, Inc.
150 West Main Street, 12th Floor
Norfolk, Virginia 23510

**County of Southampton, Virginia
\$3,500,000 Revenue Anticipation Note,
Series 2013**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Southampton County, Virginia (the "County") of its \$3,500,000 Revenue Anticipation Note, Series 2013 (the "Note"), dated August __, 2013.

We have examined the Constitutions and the laws of both the United States and the Commonwealth of Virginia and such certified proceedings and other documents of the County as we deem necessary to render this opinion. The Note is issued pursuant to a resolution adopted on August 26, 2013 (the "Resolution") by the Board of Supervisors of the County pledging to the payment of the Note the taxes and revenues of the County for the current year. As to questions of fact material to this opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify them by independent investigation.

Based on the foregoing, in our opinion, under current law:

1. The Note has been authorized and issued in accordance with the Constitution and laws of the Commonwealth of Virginia and constitutes a valid and binding obligation of the County, payable from the taxes and revenues pledged therefor pursuant to the Resolution and the Note.

2. Interest on the Note is excludable from gross income for purposes of federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), is not a specific item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations, and is included in computing adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) under Section 56 of the Code. Except for paragraph 4

below, we express no opinion regarding other federal tax consequences arising with respect to the Note.

In providing the opinions set forth in this paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the County. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Note in order for interest on the Note to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Note, limitations on the source of the payment of and the security for the Note, and the obligation to rebate certain excess earnings on the gross proceeds of the Note to the United States Treasury. The County's non-arbitrage certificate and tax compliance agreement dated the date hereof contains covenants (the "Covenants") under which the County has agreed to comply with such requirements. Failure by the County to comply with the Covenants could cause interest on the Note to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Note from becoming includable in gross income for federal income tax purposes.

We have no responsibility to monitor compliance with the Covenants after the date of issue of the Note.

3. Interest on the Note is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. We express no opinion regarding (i) other Virginia tax consequences arising with respect to the Note or (ii) any consequences arising with respect to the Note under the tax laws of any state or local jurisdiction other than the Commonwealth of Virginia.

4. In providing the opinion set forth in this paragraph, we are assuming continuing compliance with the Covenants by the County. The Note meets the requirements of a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code, and is therefore not subject to the disallowance of the deduction of interest expense by financial institutions imposed by Section 265(b)(5) of the Code.

Our services as Bond Counsel have been limited to rendering the foregoing opinion based on our review of such legal proceedings as we deem necessary to make the statements contained herein and to approve the validity of the Note and the tax-exempt status of the interest on it. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Note and, therefore, we express no opinion as to the accuracy or completeness of any information that may have been relied upon by any owner of the Note in making a decision to purchase the Note.

Very truly yours,

Mike Johnson

From: Mike Johnson
Sent: Wednesday, August 14, 2013 9:53 AM
To: Dallas Jones; Ronnie West; Alan Edwards; Carl Faison; Bruce Phillips; Barry Porter (bporter@southamptoncounty.org); Glenn Updike (gupdike@southamptoncounty.org)
Cc: Lynette Lowe; anne@raileyandrailey.com
Subject: Revenue Anticipation Note
Attachments: Term Sheet.pdf; Active_49789982_1_Authorizing Resolution - Southampton RAN 2013.pdf

Gentlemen,

We received only one proposal for the required Revenue Anticipation Note that was discussed in detail last Saturday – from SunTrust Bank. Please find a copy of their term sheet attached. They have offered a variable rate, tax-exempt, bank qualified, nonrevolving line of credit. The proposed rate is 65% of the (1 Month LIBOR rate + 1.75%), which currently equals 1.26%. The 1-month LIBOR is 5 basis points lower (0.19) than it was at the same time last year.

As you will see, the line of credit is for up to \$3.5 million, but will only be drawn down as Mrs. Lowe and Mr. Britt deem necessary. The note will mature on 12/31/13, but I would expect to have it fully paid off well in advance of that, most likely by the end of November. There is no prepayment penalty.

The bank is charging a fee of \$6,000 + its cost of issuance which is estimated at \$2,500 or less. They also require the opinion of bond counsel (McGuire Woods) which I expect to cost approximately \$7,500. At the current rate, interest will accrue at roughly \$35/day for each \$1 million that is outstanding.

I'm also attaching an advance copy of the resolution that will be on your August 26th agenda. I will also forward you a copy of the proposed Note as soon as it is available from our bond counsel.

Please let me know if you have questions.

Michael W. Johnson
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