

**BOARD OF SUPERVISORS
REGULAR MEETING
FEBRUARY 28, 2012**

At the regular meeting of the Board of Supervisors of Floyd County, Virginia, held on Tuesday, February 28, 2012 at 7:00 p.m. in the Board Room of the County Administration Building, thereof;

PRESENT: Case C. Clinger, Chairman; Virgel H. Allen, Vice Chairman; J. Fred Gerald, Joe D. Turman, Lauren D. Yoder, Board Members; Daniel J. Campbell, County Administrator; Terri W. Morris, Assistant County Administrator.

The Chairman called the meeting to order at 7:00 p.m.

At 7:00 p.m., the Chairman called for the Public Comment Period.

After no comments from the audience, the Chairman declared the Public Comment Period closed.

Agenda Item 3 – Mr. John Paul Houston – gave the following statement:

Thank you for allowing me the opportunity to address you tonight. As a life long citizen of Floyd County, I was disturbed after reading the article in the February 16th issue of the Floyd Press titled “Executives Make a Pitch”. I am here tonight to read relevant portions from two press releases issued by Schaller Equity Partners of Winston-Salem, North Carolina. The first one was issued on February 24th and the second one was issued earlier today.

Schaller Equity Partners announced on February 24, 2012 that it provided notice to Cardinal Bankshares Corporation, the parent holding company of the Bank of Floyd, of its desire to nominate a slate of nominees for election to Cardinal’s Board of Directors at Cardinal’s 2012 Annual Meeting of Stockholders, which is expected to take place on April 25, 2012.

Schaller, which is an approximately 9.8% shareowner of Cardinal, proposed the following persons as its intended nominees for election to the Board at the meeting: Ms. Carol S. Jarratt and Messrs. T. Mauyer Gallimore, Bobby L. Gardner, Sr., John Paul Houston and James W. Shortt. Schaller currently intends to conduct a proxy solicitation in support of its desire to elect these persons to the Board at the meeting.

Douglas E. Schaller stated: “We selected these people as our potential nominees because they are proven business and community leaders from the Floyd area, whom we believe would bring much needed insight, accountability and fresh and relevant perspectives to the Board, if they were to be nominated and elected.

The press release released this afternoon relates to a further filing that Schaller made today with the Securities and Exchange Commission in order to address and quash inaccurate

rumors about Schaller's plans and intentions. In this new press release, the following statement was made: Schaller Equity Partners has filed an amendment to its Schedule 13D filing with the Securities and Exchange Commission to quash inaccurate rumors that have been circulating in the Floyd, Virginia area to the effect that Schaller currently plans or intends to cause the sale of Cardinal Bankshares Corporation and/or the Bank of Floyd, or to cause the loss of jobs by unspecified numbers of employees of Cardinal or the Bank. Schaller has no such plan or intention.

The earlier announcement of Schaller's current intention to conduct a proxy solicitation in support of certain nominees for election as directors of Cardinal does not constitute such a plan or intention. Moreover, even if such a proxy solicitation were to be implemented, and the nominees proposed were elected as directors of Cardinal, Schaller would not have any right or authority to cause any such sale or employee termination and is not otherwise seeking any such right or authority.

Both press releases were made by Schaller in connection with filings it had made with the Securities and Exchange Commission. In those filings and press releases, Schaller points out that none of them is a solicitation of any action to be taken by Stockholders of Cardinal Bankshares.

Because of Securities and Exchange Commission regulations, neither I nor any of the potential nominees who may be here tonight are able to make any further statement, or answer any questions, about this matter at this time. I hope you will respect that limitation we have, and thus not force us to appear rude by saying "no comment". Thank you.

Agenda Item 6 – RFP for banking services.

On a motion of Supervisor Allen, seconded by Supervisor Yoder, and carried, it was resolved to table the matter of a RFP for banking services indefinitely.

Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Gerald – nay
Supervisor Allen – aye
Supervisor Clinger – aye

Agenda Item 7 – Electoral Board members – FY13 budget request. Mr. Dale Profitt, Electoral Board Chairman presented a written request to the Board concerning their budget request. Highlights included an increase in postage due to the Presidential election, \$1200 reduction in price of scanner quoted from preliminary request, actual departmental budget down overall excluding scanner cost.

Agenda Item 8 – Sheriff Shannon Zeman – FY13 budget request. Sheriff Zeman commented that there were basically six areas of increased requests. Three areas are slight increases – dues, ammunition and crime library. The three large requests include fuel, which was increased last year and is doing ok at this point. Requesting four new vehicles because only one has been purchased each of the last four years. All vehicles have very high mileage. An

employee retention program to provide additional compensation is also being requested. The hope is to retain young officers instead of them transferring to other agencies where funding is higher.

On a motion of Supervisor Allen, seconded by Supervisor Turman, and unanimously carried, it was resolved to amend the agenda to include approval of disbursements.

Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Gerald – aye
Supervisor Allen – aye
Supervisor Clinger – aye

On a motion of Supervisor Allen, seconded by Supervisor Yoder, and unanimously carried, it was resolved to approve the disbursements as presented.

Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Gerald – aye
Supervisor Allen – aye
Supervisor Clinger – aye

Agenda Item 7 – Work session on proposed FY13 budget. Mr. Campbell presented an outline of suggested cuts/changes for the Board’s consideration.

On a motion of Supervisor Allen, seconded by Supervisor Yoder, and unanimously carried, it was resolved to adjourn to Tuesday, March 13, 2012 at 8:30 a.m.

Supervisor Yoder – aye
Supervisor Turman – aye
Supervisor Gerald – aye
Supervisor Allen – aye
Supervisor Clinger – aye

Daniel J. Campbell, County Administrator

Case C. Clinger, Chairman, Board of Supervisors