



Date of Council Meeting: March 29, 2016

**TOWN OF LEESBURG
TOWN COUNCIL MEETING**

Subject: Adoption of Bond Resolution

Staff Contact: Clark Case, Director of Finance and Administrative Services

Council Action Requested: Adoption of Bond Resolution Authorizing the Issuance of a Series 2016 General Obligation Refunding Bond through the Virginia Resources Authority (VRA)

Staff Recommendation: The Director of Finance and Administrative Services and Davenport & Company, the Town's Financial Advisor, recommend that Town Council approve the attached bond resolution authorizing the sale of the Series 2016 General Obligation Bond through VRA.

Commission Recommendation: Not applicable.

Fiscal Impact: The Town plans to issue up to \$10,830,000 in par value of premium refunding bonds to refund \$11,230,000 in original bonds estimated to generate savings of no less than 3% net present value over the remaining life of the bonds under current market conditions. The actual savings will depend upon the market rates available on the sale date. The 3% net present value savings threshold would result in \$485,000 in net savings which results in approximately \$20,000 annually for the life of the loan. It is important to note that this action does not extend the life of the original bonds.

Executive Summary: The Town plans to issue a bond through the Virginia Resources Authority (VRA) to refinance the Series 2011A General Obligation bonds that were issued to pay for general governmental and utilities capital projects. The savings produced should accrue about 66% to General Fund and 34% to Utilities Fund. Current market interest rates are at historically low levels making it an opportune time to refinance previously issued bonds. The principal amortization is not being extended and the sole purpose in the refinancing is to save a minimum of \$20,000 annually, and about \$485,000 over the remaining life of the bonds. **If the 3% minimum savings level cannot be achieved when VRA is ready to go to market, then the Town bond will not be issued.** A 3% net present value savings on a refunding is the industry standard minimum for a refinancing. The Town usually does better than the 3% minimum standard savings, but exceeding the standard cannot be guaranteed and will depend upon market conditions. The 3% savings is calculated including all costs of issuance.

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Background: At the February 8, 2016 Town Council meeting, Davenport & Company, the Town's financial advisor, presented the plan of finance that described the savings to be obtained from refinancing previously issued Town general obligation bonds. Issuance costs of an estimated \$204,150 will be paid from the proceeds of the VRA bond. It is not necessary to hold a public hearing on the issuance of a refunding bond.

The current plan of finance projects issuing the bonds at a premium whereby the buyer pays above the par value to reduce the effective rate of interest. However, the par amount to be issued would not exceed \$14,000,000. The structure of the bonds par versus premium will depend upon market conditions at the date of issue.

Attachments: Bond Resolution

PRESENTED: March 29, 2016

RESOLUTION NO. 2016-

ADOPTED: March 29, 2016

A RESOLUTION: PROVIDING FOR THE ISSUANCE AND SALE OF A GENERAL OBLIGATION AND REFUNDING BOND, SERIES 2016, OF THE TOWN OF LEESBURG, VIRGINIA, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, AND PROVIDING FOR THE REFUNDING OF CERTAIN OUTSTANDING BONDS

WHEREAS, on August 10, 2011, the Town of Leesburg, Virginia (the "Town"), issued its General Obligation and Refunding Bonds, Series 2011A (the "2011 Bonds"); and

WHEREAS, the Town's financial advisor has advised the Town that it may achieve debt service savings by refunding all or a portion of the outstanding principal amount of the 2011 Bonds; and

WHEREAS, the Town desires to issue a refunding bond (the "Bond," as further described in Section 3 herein) to refund all or a portion of the 2011 Bonds, subject to the terms and conditions herein, including that (i) the refunding achieve an aggregate net present value debt service savings of not less than 3.00% of the refunded par amount of the 2011 Bonds (the "Targeted Savings") and (ii) the principal amount of the Bond not exceed \$14,000,000; and

WHEREAS, the Town has applied to Virginia Resources Authority ("VRA") for the purchase of the Bond, and VRA has indicated its willingness to purchase the Bond from the proceeds of one or more series of its Infrastructure and State Moral Obligation Revenue Bonds (Virginia Pooled Financing Program) (collectively, the "VRA Bonds"), in accordance with the terms of a Local Bond Sale and Financing Agreement (the "Financing Agreement"), between VRA and the Town, the form of which has been made available in the papers for this meeting of the Council of the Town (the "Council"); and

A RESOLUTION: PROVIDING FOR THE ISSUANCE AND SALE OF A GENERAL OBLIGATION AND REFUNDING BOND, SERIES 2016, OF THE TOWN OF LEESBURG, VIRGINIA, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, AND PROVIDING FOR THE REFUNDING OF CERTAIN OUTSTANDING BONDS

WHEREAS, VRA has informed the Town that VRA's objective is to pay the Town a purchase price for the Bond (the "Purchase Price Objective") that, in VRA's judgment, reflects its market value taking into consideration such factors as the Targeted Savings, the purchase price received by VRA for the VRA Bonds, the issuance costs of the VRA Bonds (consisting of the underwriters' discount and other costs incurred by VRA) and other market conditions relating to the sale of the VRA Bonds; and

WHEREAS, the Financing Agreement will provide that the terms of the Bond may not exceed the parameters set forth below in Section 3.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Leesburg in Virginia as follows:

- 1. Issuance of Bond and Use of Proceeds.** Pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, there shall be issued and sold to VRA a General Obligation and Refunding Bond of the Town to provide funds to refund all or a portion of the 2011 Bonds and to pay the costs incurred in connection with such refunding and the issuance of the Bond. The Bond shall be delivered to or upon the order of VRA upon VRA's payment of the purchase price set forth in the Financing Agreement. Subject to the determination of the Town Manager of what will be in the Town's best interests, the Bond may be sold to VRA in connection with any sale date of the VRA Bonds occurring prior to December 31, 2016.
- 2. Authorization of Financing Agreement.** The form of the Financing Agreement submitted to this meeting is hereby approved. The Town Manager is authorized to execute and deliver the Financing Agreement in substantially such form, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the Town Manager, whose approval shall be evidenced conclusively by the execution and delivery thereof. The issuance and sale of the Bond to VRA shall be upon the terms and conditions set forth in the Financing Agreement. The proceeds of the Bond shall be applied in the manner set forth in the Financing Agreement. All capitalized terms used but not otherwise defined herein shall have the same meanings as set forth in the Financing Agreement.

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3. Bond Details. The Bond shall be issued as a single, registered bond, shall be designated "General Obligation and Refunding Bond, Series 2016," shall be numbered R-1 and shall be dated the date that is 30 days prior to the closing date of the VRA Bonds. The Council authorizes the issuance and sale of the Bond to VRA on terms as shall be determined by VRA subject to VRA's Purchase Price Objective and market conditions described in the Recitals hereof; provided, however, that (i) the principal amount of the Bond shall not exceed \$14,000,000, (ii) the Bond shall be payable in principal installments ending not later than December 31, 2040, and (iii) the refunding shall achieve at least the Targeted Savings. Subject to the preceding terms, the Council further authorizes the Town Manager to accept the final terms presented by VRA, including (a) the final principal amount of the Bond, (b) the amortization schedule (including the principal installment dates and amounts) for the Bond, (c) the optional and extraordinary redemption provisions, if any, of the Bond and (d) the portions, if any, of the 2011 Bonds to be refunded, all in such manner as the Town Manager shall determine to be in the best interests of the Town.

As set forth in the Financing Agreement, the Town agrees to pay such Supplemental Interest and other charges as provided therein, including such amounts as may be necessary to maintain or replenish any VRA Reserve. The principal of and premium, if any, and interest on the Bond shall be payable in lawful money of the United States of America.

The actions of the Town Manager in accepting the final terms of the Bond shall be conclusive, and no further action shall be necessary on the part of the Council.

4. Payment and Redemption Provisions of Bond. The principal of and premium, if any, and interest on the Bond shall be payable as set forth in the Bond and the Financing Agreement. The Town may, at its option, redeem, prepay or refund the Bond upon the terms set forth in the Financing Agreement.

5. Execution and Form of Bond. The Bond shall be signed by the Town Manager, and the Town's seal shall be affixed thereto and attested by the Clerk or Deputy Clerk of the Council. The Bond shall be issued as a typewritten bond in substantially the form of Exhibit A attached hereto, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officers signing the Bond, whose approval shall be evidenced conclusively by the execution and delivery of the Bond.

6. Pledge of Full Faith and Credit. The full faith and credit of the Town are irrevocably pledged for the payment of principal of and premium, if any, and interest on the Bond. Unless other funds are lawfully available and appropriated for timely payment of the Bond, the Council shall levy and collect an annual ad valorem tax, over and above

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all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the Town sufficient to pay when due the principal of and premium, if any, and interest on the Bond.

7. Preparation of Printed Bond. The Town shall initially issue the Bond in typewritten form. Upon request of the registered owner and upon presentation of the Bond at the office of the Registrar (as hereinafter defined), the Town shall arrange to have prepared, executed and delivered in exchange as soon as practicable the Bond in printed form in an aggregate principal amount equal to the unpaid principal of the Bond in typewritten form, in denominations of \$5,000 and multiples thereof, of the same form and maturity and registered in such names as requested by the registered owner or its duly authorized attorney or legal representative. The printed Bond may be executed by manual or facsimile signature of the Town Manager, and the Town's seal is to be affixed thereto and attested by the Clerk or Deputy Clerk of the Council; provided, however, that if both such signatures are facsimiles, no Bond shall be valid until it has been authenticated by the manual signature of the Registrar and the date of authentication noted thereon. The typewritten Bond surrendered in any such exchange shall be canceled.

8. Registration, Transfer and Owner of Bond. The Council appoints the Director of Finance and Administrative Services as paying agent and registrar (the "Registrar") for the Bond. If deemed to be in its best interests, the Council may at any time appoint a qualified bank or trust company as successor Registrar. Upon surrender of the Bond at the office of the Registrar, together with an assignment duly executed by the registered owner or its duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the Town shall execute, and the Registrar shall authenticate and deliver in exchange, a new Bond or Bonds having an equal aggregate principal amount, of the same form and maturity, bearing interest at the same rate and registered in such name as requested by the then registered owner or its duly authorized attorney or legal representative. Any such exchange shall be at the expense of the Town, except that the Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Registrar shall treat the registered owner as the person or entity exclusively entitled to payment of principal of and premium, if any, and interest on the Bond and the exercise of all other rights and powers of the owner, except that installments shall be paid to the person or entity shown as owner on the registration books on the 15th day of the month preceding each interest payment date.

9. Mutilated, Lost or Destroyed Bond. If the Bond has been mutilated, lost or destroyed, the Town shall execute and deliver a new Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of

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and in substitution for such lost or destroyed Bond; provided, however, that the Town shall so execute and deliver only if the registered owner has paid the reasonable expenses and charges of the Town in connection therewith and, in the case of a lost or destroyed Bond, (a) has filed with the Town evidence satisfactory to the Town that such Bond was lost or destroyed and (b) has furnished to the Town satisfactory indemnity.

10. Preparation and Delivery of Bond. The officers of the Town are authorized and directed to take all proper steps to have the Bond prepared and executed in accordance with its terms and to deliver it to VRA as the purchaser thereof upon receipt of the Purchase Price from VRA as set forth in the Financing Agreement.

11. Redemption of 2011 Bonds. The Town Manager is authorized and directed to take all proper steps to call for redemption such portions of the 2011 Bonds as shall be refunded on the date the Bond is issued and to prepare and deliver any such notices and correspondence necessary therefor. The Town Manager is authorized to affix the Town's seal on any such documents and attest the same.

12. Escrow Agreement. The Town Manager is authorized and directed to execute an escrow agreement (the "Escrow Agreement") between the Town and an escrow agent (and such other parties as may be necessary) for purposes of providing for the redemption and defeasance of the refunded portion of the 2011 Bonds. The Escrow Agreement shall be in a form approved by the Town Manager, in collaboration with the Town Attorney and the Town's bond counsel, the execution thereof by the Town Manager to constitute conclusive evidence of the Town Manager's approval of the Escrow Agreement.

13. Tax Compliance Agreement. Such officers of the Town as may be requested are authorized and directed to execute and deliver a nonarbitrage certificate and tax compliance agreement (the "Tax Compliance Agreement") in a form not inconsistent with this Resolution as may be approved by the officers of the Town executing such document, whose approval shall be evidenced conclusively by the execution and delivery thereof.

14. Arbitrage Covenants. The Town covenants that it shall not take or omit to take any action the taking or omission of which will cause the VRA Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations issued pursuant thereto (the "Code"), or otherwise cause interest on the VRA Bonds to be includable in the gross income of the registered owners thereof under existing law. Without limiting the generality of the foregoing, the Town shall comply with any provision of the Tax Compliance Agreement that may require the Town at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bond, unless the Town receives an opinion of nationally recognized bond counsel that compliance with any such covenant is not

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required to prevent interest on the VRA Bonds from being included in the gross income for federal income tax purposes of the registered owners thereof under existing law. The Town shall pay any such required rebate from legally available funds.

15. Official Statement. The Town authorizes and consents to the inclusion of information with respect to the Town contained in VRA's Preliminary Official Statement and VRA's Official Statement in final form, both prepared in connection with the sale of the VRA Bonds. The Town Manager is authorized and directed to take whatever actions are necessary or appropriate to aid VRA in ensuring compliance with Securities and Exchange Commission Rule 15c2-12.

16. SNAP Investment Authorization. The Council has heretofore received and reviewed the Information Statement describing the State Non-Arbitrage Program of the Commonwealth of Virginia ("SNAP") and the Contract Creating the State Non-Arbitrage Program Pool I (the "Contract"), and the Council has determined to authorize the Director of Finance and Administrative Services to utilize SNAP in connection with the investment of the proceeds of the Bond, if the Director of Finance and Administrative Services determines that the utilization of SNAP is in the best interests of the Town. The Council acknowledges the Treasury Board of the Commonwealth of Virginia is not, and shall not be, in any way liable to the Town in connection with SNAP, except as otherwise provided in the Contract.

17. Other Actions. All other actions of officers of the Town in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bond are hereby ratified, approved and confirmed. The officers of the Town are authorized and directed to execute and deliver all certificates and instruments and to take all such further action as may be considered necessary or desirable in connection with the issuance, sale and delivery of the Bond.

18. Repeal of Conflicting Resolutions. All resolutions or parts of resolutions in conflict herewith are repealed.

19. Public Finance Act. The Council hereby elects pursuant to Section 15.2-2601 of the Virginia Code to issue the Bond under the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Virginia Code without regard to the requirements, restrictions or other provisions contained in any charter or special or local act.

20. Filing of Resolution. The appropriate officers or agents of the Town are authorized and directed to file or cause to be filed a certified copy of this Resolution with the Circuit Court of the County of Loudoun, Virginia pursuant to Sections 15.2-2607 and 15.2-2627 of the Virginia Code.

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

PASSED this 29th day of March, 2016.

David S. Butler, Mayor
Town of Leesburg in Virginia

ATTEST:

Clerk of Council

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EXHIBIT A

[FORM OF BOND]

REGISTERED

REGISTERED

R-1

_____, 2016

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

TOWN OF LEESBURG

**General Obligation and Refunding Bond
Series 2016**

The Town of Leesburg, Virginia (the "Town"), a political subdivision of the Commonwealth of Virginia, for value received, acknowledges itself in debt and promises to pay to the Virginia Resources Authority, or its registered assigns or legal representative ("VRA"), solely from the sources hereinafter described and pledged to the payment of this bond the principal sum of _____ DOLLARS (\$_____). Principal of this bond shall be payable in annual installments in the amounts and on the dates set forth in Schedule I attached hereto. Interest on this bond shall be payable on each _____ and _____, commencing _____, 20__, computed on the basis of a 360-day year of twelve 30-day months at the rates set forth in Schedule I.

If any installment of principal of and interest on this bond is not paid to the registered owner of this bond within ten days after its due date, the Town shall pay to VRA a late payment charge in an amount equal to five percent (5%) of the overdue installment.

Subject to the provisions of the Local Bond Sale and Financing Agreement dated as of April 1, 2016 (the "Financing Agreement"), between VRA and the Town, so long as this bond is held by or for the account of VRA or its registered assigns or legal representative, interest is payable by (i) check or draft mailed to the registered owner of this bond at the address that appears on the 15th day of the month preceding each interest payment date on the registration books kept by the Director of Finance and Administrative Services, who has been appointed registrar and paying agent, or any successor bank or trust company (the "Registrar"), or (ii) wire transfer pursuant to the most recent wire instructions received by the Registrar from such registered owner, except that the final payment is payable upon presentation and surrender of this bond at the office of the Registrar. Principal of and premium, if any, and interest on this bond shall be payable in lawful money of the United States of America. In case the payment date on

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this bond shall not be a Business Day (as defined below), then payment of principal, premium, if any, and interest need not be made on such date, but may be made on the next succeeding Business Day, and, if made on such next succeeding Business Day, no additional interest shall accrue for the period after such payment date. "Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday on which commercial banking institutions generally are open for business in New York and Virginia.

This bond has been authorized by a resolution adopted by the Council of the Town (the "Council") on March 22, 2016, (the "Resolution"), and is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the Town Charter and the Public Finance Act of 1991, the Resolution and the Financing Agreement. Proceeds of this bond will be used to provide funds to (a) refund [all or a portion of] the Town's outstanding General Obligation Public Improvement Bonds, Series 2011 (the "Refunded Bond"), and (b) to pay issuance and financing costs incurred in issuing this bond and refunding the Refunded Bond.

The full faith and credit of the Town are irrevocably pledged for the payment of principal of and premium, if any, and interest on this bond. Unless other funds are lawfully available and appropriated for timely payment of this bond, the Council shall levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all taxable property within the Town sufficient to pay when due the principal of and premium, if any, and interest on this bond.

If any failure of the Town to pay all or any portion of any required payment of the principal of or premium, if any, or interest on this bond results in a withdrawal from any VRA Reserve (as defined in the Financing Agreement), the interest rates applicable to this bond shall be increased to interest rates sufficient to reimburse the VRA Reserve for any foregone investment earnings and/or pay any interest, fees or penalties assessed as a result of the drawing on the VRA Reserve. The increment of interest payable pursuant to the increase in rates shall be referred to as "Supplemental Interest." The term "interest" as used in this bond shall include Supplemental Interest, when and if payable. The Town's obligation to pay Supplemental Interest shall commence on the date of VRA's withdrawal of funds from the VRA Reserve occasioned by the Town's failure to pay a required payment or portion thereof as described above (the "Supplemental Interest Commencement Date"). The Town's obligation to pay Supplemental Interest shall terminate on the date on which the Town remedies such failure to pay by making all payments required but outstanding since the date of such failure to pay (the "Supplemental Interest Termination Date"). From the Supplemental Interest Commencement Date to the Supplemental Interest Termination Date, Supplemental Interest shall be due and payable on the regularly scheduled interest payment dates provided for in this bond. As soon as reasonably possible after the Supplemental Interest Commencement Date and before the next regularly scheduled interest payment date provided for in this bond, VRA shall deliver to the Town a certificate as to the increase in interest rates and the amount of Supplemental Interest. The

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certificate shall set forth in reasonable detail the basis for the increase in interest rates and the manner of calculation of the increase and the amount of Supplemental Interest. Such certificate shall be conclusive (absent manifest error) as to the interest rate increase and amount of Supplemental Interest set forth therein. In determining the interest rate increase and the amount of Supplemental Interest, VRA may use any reasonable averaging and attribution methods.

This bond may be redeemed, prepaid or refunded at the option of the Town upon the terms set forth in the Financing Agreement.

This bond is issuable as a fully registered bond. Upon surrender of this bond at the Registrar's office, together with an assignment duly executed by the registered owner or such owner's duly authorized attorney or legal representative in such form as shall be satisfactory to the Registrar, the Town shall execute, and the Registrar shall authenticate and deliver in exchange, a new bond or bonds in the manner and subject to the limitations and conditions provided in the Resolution, having an equal aggregate principal amount, in authorized denominations, of the same series, form and maturity, bearing interest at the same rate and in the same manner, and registered in such names as requested by the then registered owner of this bond or such owner's duly authorized attorney or legal representative. Any such exchange shall be at the Town's expense, except that the Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect to it.

The Registrar shall treat the registered owner of this bond as the person exclusively entitled to payment of principal of and premium, if any, and interest on this bond and the exercise of all other rights and powers of the owner, except that interest payments shall be made to the person shown as the owner on the registration books on the 15th day of the month preceding each interest payment date.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this bond have happened, exist and have been performed, and this bond, together with all other indebtedness of the Town, is within every debt and other limitation prescribed by the Constitution and statutes of the Commonwealth of Virginia.

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IN WITNESS WHEREOF, the Town of Leesburg, Virginia, has caused this bond to be signed by its Town Manager and the Town's seal to be affixed hereto and attested by the Clerk or Deputy Clerk of Council, and this bond to be dated the date first above written.

(SEAL)

Town Manager, Town of Leesburg, Virginia

ATTEST:

[Deputy] Clerk of Council, Town of
Leesburg, Virginia

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ASSIGNMENT

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

(Please print or type name and address, including postal zip code, of Transferee)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF TRANSFEREE:

: :
: :
: :
: :

the within bond and all rights thereunder, hereby irrevocably constituting and appointing _____, Attorney, to transfer said bond on the books kept for the registration thereof, 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 who is a member of a medallion program approved by The Securities Transfer Association, Inc.

(Signature of Registered Owner)

NOTICE: The signature above must correspond with the name of the registered owner as it appears on the front of this bond in every particular, without alteration or enlargement or any change whatsoever.

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**SCHEDULE I TO
TOWN OF LEESBURG, VIRGINIA
GENERAL OBLIGATION AND REFUNDING BOND
SERIES 2016**

<u>Principal Installment Number</u>	<u>Principal Installment Amount</u>	<u>Principal Installment Due Date</u>	<u>Interest Rate</u>
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[to be completed after pricing of VRA Bonds]