CITY OF WINCHESTER, VIRGINIA

PROPOSED CITY COUNCIL AGENDA ITEM

CITY COUNCIL/COMMITTEE MEETING OF: _September 23,2014__ **CUT OFF DATE:** __

RESOLUTION _X_ **ORDINANCE** ___ **PUBLIC HEARING** ___

ITEM TITLE:
Multiple bond issue refunding

STAFF RECOMMENDATION:
Refund bonds that can provide savings to the City of Winchester in current market.

PUBLIC NOTICE AND HEARING:
N/A

ADVISORY BOARD RECOMMENDATION:
N/A

FUNDING DATA:
No funding; possible significant savings in FY 2015 and FY 2016

INSURANCE:
No liability assumed.

The initiating Department Director will place below, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda.

DEPARTMENT	INITIALS FOR APPROVAL	INITIALS FOR DISAPPROVAL	DATE
1. City Treasurer	JLB		9-16-14
2.			
3.			
4.			
5. City Attorney	Anthony C. Williams		9/19/2014
6. City Manager			18 Sept 2014
7. Clerk of Council			

Initiating Department Director's Signature: Mary Stone 9-16-14
Date

CITY ATTORNEY'S OFFICE
Received
SEP 18 2014
2:15pm
WINCHESTER, VA

APPROVED AS TO FORM:
CITY ATTORNEY 9/19/2014

Revised: September 28, 2009

CITY COUNCIL ACTION MEMO

To: Honorable Mayor and Members of City Council

From: Mary Blowe, Finance Director

Date: September 10,2014

Re: Resolution to refund certain maturities of previously issued bonds

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THE ISSUE: The Market has allowed us to be able to refund previously issued debt at a considerably lower interest rate.

RELATIONSHIP TO STRATEGIC PLAN: Savings in our budget will allow the City Council to (financially) forward other items in the strategic plan that otherwise may not have been able to be funded.

BACKGROUND: This refunding includes all or a part of the following bonds:

- Series 2004 (new money): 2016
- Series 2004 (refunding): 2016-2020
- Series 2005:2016
- Series 2006: 2017-2019
- Series 2007: 2018-2027

This refunding will allow us to capture interest rate savings allowing us to accomplish other projects and it also helps clean up some older maturities of bonds in one issuance.

BUDGET IMPACT: Total Refunding par amount not to exceed $16,500,000. Estimated true interest Cost of 1.72%

FY 2015	$227,606
FY 2016	699,004
FY 2017	3,004
FY 2018	660
FY 2019	2,785
FY 2020	2,710
FY 2021	1,754
FY 2022	2,161
FY 2023	4,075
Total Cash Flow Savings	**$943,759**

OPTIONS: City Council could not approve the resolution and disallow staff from continuing with the refunding.

RECOMMENDATIONS: It is recommended that the Council adopt the resolution entitled:

> **RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2014, OF THE CITY OF WINCHESTER, VIRGINIA, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $16,500,000, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, AND PROVIDING FOR THE REFUNDING OF CERTAIN GENERAL OBLIGATION BONDS OF THE CITY**

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF GENERAL OBLIGATION PUBLIC IMPROVEMENT REFUNDING BONDS, SERIES 2014, OF THE CITY OF WINCHESTER, VIRGINIA, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $16,500,000, PROVIDING FOR THE FORM, DETAILS AND PAYMENT THEREOF, AND PROVIDING FOR THE REFUNDING OF CERTAIN GENERAL OBLIGATION BONDS OF THE CITY

WHEREAS, there are outstanding certain maturities of the General Obligation Public Improvement and Refunding Bonds, Series 2004 (the "2004 Bonds"), the General Obligation Public Improvement Bonds, Series 2005 (the "2005 Bonds"), the General Obligation Public Improvement Bonds, Series 2006 (the "2006 Bonds"), and the General Obligation Public Improvement Bonds, Series 2007 (the "2006 Bonds"), all of which were issued by the City of Winchester, Virginia (the "City");

WHEREAS, the City may effect debt service savings by issuing its general obligation public improvement refunding bonds to (a) refund all or a portion of the outstanding maturities of the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and the 2007 Bonds (the portions of such refunded maturities, the "Refunded Bonds") and (b) pay the costs of refunding the Refunded Bonds and issuing such general obligation public improvement refunding bonds; and

WHEREAS, the City's administration and a representative of Public Financial Management, Inc., the City's financial advisor (the "Financial Advisor"), have recommended to the Common Council of the City (the "Common Council") that the City issue and sell one or more series of general obligation public improvement refunding bonds through a public offering negotiated with Raymond James & Associates, Inc. (the "Underwriter");

BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF WINCHESTER, VIRGINIA:

1. Issuance of Bonds. Pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, there shall be issued and sold general obligation public improvement refunding bonds of the City in an aggregate principal amount not to exceed $16,500,000 (the "Bonds") to refund the Refunded Bonds and pay the costs incurred in connection with such refunding and the costs of issuance of the Bonds.

2. Bond Details. The Bonds shall be designated "General Obligation Public Improvement Refunding Bonds, Series 2014," or such other designation as may be determined by the City Manager (which term shall include any Deputy City Manager), shall be in registered form, shall be dated such date as may be determined by the City Manager, shall be in denominations of $5,000 and integral multiples thereof and shall be numbered R-1 upward. Subject to Section 8, the issuance and sale of the Bonds are authorized on terms as shall be satisfactory to the City Manager; provided, however, that the Bonds (a) shall have a "true" or "Canadian" interest cost not to exceed 3.00% (taking into account any original issue discount or premium), (b) shall be sold to the purchaser thereof at a price not less than 99.00% of the principal amount thereof (excluding any original issue discount) and (c) shall mature or be

subject to mandatory sinking fund redemption in annual installments ending no later than December 31, 2027; provided, however, that the refunding of the Refunded Bonds in the aggregate shall result in an aggregate net present value debt service savings to the City of at least 3.00% of the amount of all of the Refunded Bonds.

Principal of the Bonds shall be payable annually on dates determined by the City Manager. Each Bond shall bear interest from its date at such rate as shall be determined at the time of sale, calculated on the basis of a 360-day year of twelve 30-day months, and payable semiannually on dates determined by the City Manager. Principal and premium, if any, shall be payable to the registered owners upon surrender of Bonds as they become due at the office of the Registrar (as hereinafter defined). Interest shall be payable by check or draft mailed to the registered owners at their addresses as they appear on the registration books kept by the Registrar on a date prior to each interest payment date that shall be determined by the City Manager (the "Record Date"); provided, however, that at the request of the registered owner of the Bonds, payment may be made by wire transfer pursuant to the most recent wire instructions received by the Registrar from such registered owner. Principal, premium, if any, and interest shall be payable in lawful money of the United States of America.

Initially, one Bond certificate for each maturity of the Bonds shall be issued to and registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. The City has heretofore entered into a Letter of Representations relating to a book-entry system to be maintained by DTC with respect to the Bonds. "Securities Depository" shall mean DTC or any other securities depository for the Bonds appointed pursuant to this Section.

In the event that (a) the Securities Depository determines not to continue to act as the securities depository for the Bonds by giving notice to the Registrar, and the City discharges the Securities Depository of its responsibilities with respect to the Bonds, or (b) the City in its sole discretion determines (i) that beneficial owners of Bonds shall be able to obtain certificated Bonds or (ii) to select a new Securities Depository, then its chief financial officer shall, at the direction of the City, attempt to locate another qualified securities depository to serve as Securities Depository and authenticate and deliver certificated Bonds to the new Securities Depository or its nominee or to the beneficial owners or to the Securities Depository participants on behalf of beneficial owners substantially in the form provided for in Section 5; provided, however, that such form shall provide for interest on the Bonds to be payable (A) from the date of the Bonds if they are authenticated prior to the first interest payment date or (B) otherwise from the interest payment date that is or immediately precedes the date on which the Bonds are authenticated (unless payment of interest thereon is in default, in which case interest on such Bonds shall be payable from the date to which interest has been paid). In delivering certificated Bonds, the chief financial officer shall be entitled to rely on the records of the Securities Depository as to the beneficial owners or the records of the Securities Depository participants acting on behalf of beneficial owners. Such certificated Bonds will then be registrable, transferable and exchangeable as set forth in Section 7.

So long as there is a Securities Depository for the Bonds, (1) it or its nominee shall be the registered owner of the Bonds; (2) notwithstanding anything to the contrary in this Resolution, determinations of persons entitled to payment of principal, premium, if any, and interest, transfers of ownership and exchanges and receipt of notices shall be the responsibility of the

Securities Depository and shall be effected pursuant to rules and procedures established by such Securities Depository; (3) the Registrar and the City shall not be responsible or liable for maintaining, supervising or reviewing the records maintained by the Securities Depository, its participants or persons acting through such participants; (4) references in this Resolution to registered owners of the Bonds shall mean such Securities Depository or its nominee and shall not mean the beneficial owners of the Bonds; and (5) in the event of any inconsistency between the provisions of this Resolution and the provisions of the above-referenced Letter of Representations such provisions of the Letter of Representations, except to the extent set forth in this paragraph and the next preceding paragraph, shall control.

3. Redemption Provisions. The Bonds may be subject to redemption prior to maturity at the option of the City on or after dates, if any, determined by the City Manager, in whole or in part at any time, at a redemption price equal to the principal amount of the Bonds, together with any interest accrued to the redemption date, plus a redemption premium not to exceed 2.00% of the principal amount of the Bonds, such redemption premium to be determined by the City Manager.

Any term bonds may be subject to mandatory sinking fund redemption upon terms determined by the City Manager.

If less than all of the Bonds are called for redemption, the maturities of the Bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as such officer may determine to be in the best interests of the City. If less than all the Bonds of any maturity are called for redemption, the Bonds within such maturity to be redeemed shall be selected by the Securities Depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, (a) the portion of any Bond to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof, and (b) in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by $5,000. The City shall cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner of the Bonds. The City shall not be responsible for giving notice of redemption to anyone other than DTC or another qualified securities depository then serving or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds. If a portion of a Bond is called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof will be issued to the registered owner upon the surrender thereof.

In the case of an optional redemption, the notice may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, no later than the redemption date or (2) the City retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. Any Conditional Redemption may be rescinded at any time. The

City shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a Conditional Redemption, the failure of the City to make funds available on or before the redemption date shall not constitute an event of default, and the City shall give immediate notice to all organizations registered with the Securities and Exchange Commission ("SEC") as securities depositories or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

4. Execution and Authentication. The Bonds shall be signed by the manual or facsimile signature of the President of the Common Council and the City Treasurer, the City's seal shall be affixed thereto or a facsimile thereof printed thereon and shall be attested by the manual or facsimile signature of the Clerk or Deputy Clerk of the Common Council; provided, however, that no Bond signed by facsimile signatures shall be valid until it has been authenticated by the manual signature of an authorized officer or employee of the Registrar and the date of authentication noted thereon.

5. Bond Form. The Bonds shall be in substantially the form of Exhibit A, with such completions, omissions, insertions and changes not inconsistent with this Resolution as may be approved by the officers signing the Bonds, whose approval shall be evidenced conclusively by the execution and delivery of the Bonds.

6. Pledge of Full Faith and Credit. The full faith and credit of the City are irrevocably pledged for the payment of principal of and premium, if any, and interest on the Bonds. Unless other funds are lawfully available and appropriated for timely payment of the Bonds, the Common 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 locally taxable property in the City sufficient to pay when due the principal of and premium, if any, and interest on the Bonds.

7. Registration, Transfer and Owners of Bonds. The City Treasurer is appointed paying agent and registrar for the Bonds (the "Registrar"). The City may, in its sole discretion, at any time appoint a qualified bank or trust company as successor paying agent and registrar of the Bonds. The Registrar shall maintain registration books for the registration of the Bonds and transfers thereof. Upon presentation and surrender of any Bonds to the Registrar, or its corporate trust office if the Registrar is a bank or trust company, 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 City shall execute, and the Registrar shall authenticate, if required by Section 4, and deliver in exchange, a new Bond or Bonds having an equal aggregate principal amount, in authorized denominations, of the same form and maturity, bearing interest at the same rate, and registered in the name(s) 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 City, 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 exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and

powers of the owner, except that interest payments shall be made to the person shown as owner on the registration books on the Record Date.

8. Sale of Bonds. The Common Council approves the following terms of the sale of the Bonds. The Bonds shall be sold in one or more series by negotiated public sale with the Underwriter in a principal amount or principal amounts to be determined by the City Manager, in collaboration with the Financial Advisor, and subject to the limitations set forth in Section 1. The City Manager shall also determine (a) the interest rates of the Bonds, the maturity schedule of the Bonds and the price to be paid for the Bonds, subject to the limitations set forth in Section 2, (b) the redemption provisions of the Bonds, subject to the limitations set forth in Section 3, and (c) the dated date, the principal and interest payment dates and the Record Date of the Bonds, all as the City Manager determines to be in the best interests of the City.

Following the determination of the terms of the Bonds and their sale, the City Manager shall execute and deliver a bond purchase agreement with the Underwriter (the "Bond Purchase Agreement"). The final Bond Purchase Agreement shall set forth the final terms of the Bonds and be in a form approved by the City Manager, in collaboration with the City Attorney and the City's bond counsel, the execution thereof by the City Manager to constitute conclusive evidence of her approval of such Agreement. Following the sale of the Bonds, the City Manager shall file the Bond Purchase Agreement with the City Clerk. The actions of the City Manager in selling the Bonds shall be conclusive, and no further action with respect to the sale and issuance of the Bonds shall be necessary on the part of the Common Council.

9. Official Statement. The draft Preliminary Official Statement describing the Bonds, copies of which have been circulated to the Common Council prior to this meeting, is hereby approved as the Preliminary Official Statement by which the Bonds will be offered for sale to the public; provided that the City Manager, in collaboration with the Financial Advisor, may make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this Resolution as she may consider to be in the best interests of the City. After the Bonds have been sold, the City Manager, in collaboration with the Financial Advisor, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this Resolution as are necessary or desirable to complete it as a final Official Statement. The City shall arrange for the delivery to the Underwriter of a reasonable number of printed copies of the final Official Statement, within seven business days after the Bonds have been sold, for delivery to each potential investor requesting a copy of the Official Statement and to each person to whom the Underwriter initially sells Bonds.

10. Official Statement Deemed Final. The City Manager is authorized, on behalf of the City, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12 (the "Rule") of the SEC, except for the omission in the Preliminary Official Statement of certain pricing and other information permitted to be omitted pursuant to the Rule. The distribution of the Preliminary Official Statement and the execution and delivery of the Official Statement in final form shall be conclusive evidence that each has been deemed final as of its date by the City, except for the omission in the Preliminary Official Statement of such pricing and other information permitted to be omitted pursuant to the Rule.

11. Preparation and Delivery of Bonds. After the Bonds have been awarded, the officers of the City are authorized and directed to take all proper steps to have the Bonds prepared and executed in accordance with their terms and to deliver the Bonds to the purchaser thereof upon payment therefor.

12. Redemption of Refunded Bonds. The City Manager is authorized and directed to determine which of the 2004 Bonds, the 2005 Bonds, the 2006 Bonds and the 2007 Bonds, if any, and which maturities of each such series, if any, shall constitute the Refunded Bonds. The Escrow Agreement (as hereinafter defined) shall provide for notice of redemption to be given to the registered owners of the Refunded Bonds in accordance with the resolutions providing for the issuance of the Refunded Bonds.

13. Escrow Deposit Agreement. The City Manager is authorized and directed to execute one or more escrow deposit agreements (each an "Escrow Agreement") between the City and an escrow agent to be appointed by the City Manager (the "Escrow Agent") with respect to the Refunded Bonds. The Escrow Agreement shall be in the form approved by the City Manager, in collaboration with the City Attorney and the City's bond counsel, and shall provide for the deposit and investment of a portion of the Bond proceeds for the defeasance of the Refunded Bonds. The execution of the Escrow Agreement by the City Manager shall constitute conclusive evidence of such official's approval of the Escrow Agreement. The Escrow Agreement shall provide for the irrevocable deposit of a portion of the Bond proceeds (the "Refunding Portion") in an escrow fund that shall be sufficient, when invested in noncallable, direct obligations of the United States Government (the "Government Obligations"), to provide for payment of principal of and interest on the Refunded Bonds; provided, however, that such Refunding Portion shall be invested in such manner that none of the Bonds will be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations issued pursuant thereto (the "Code"). The Escrow Agent is authorized and directed to execute initial and final subscription forms for the purchase of the Government Obligations and such other contracts and agreements necessary to provide for the defeasance of the Refunded Bonds as are approved by the City Manager, in collaboration with the City Attorney and the City's bond counsel.

14. Deposit of Bond Proceeds. The City Treasurer is authorized and directed (a) to provide for the delivery of the Refunding Portion to the Escrow Agent for deposit in the escrow fund established by the Escrow Agreement, in an amount that shall be sufficient, together with any other funds deposited with the Escrow Agent and the interest thereon when invested as provided in the Escrow Agreement, (i) to pay when due the interest on the Refunded Bonds to the first respective dates on which they may be redeemed at the option of the City and (ii) to pay upon the earlier of maturity or redemption the principal of the Refunded Bonds and (b) to provide for the deposit of the remaining proceeds of the Bonds in a special account to be used to pay the costs incurred in refunding the Refunded Bonds and the costs of issuing the Bonds. The City Treasurer is further authorized and directed to take all such further action as may be necessary or desirable in connection with the payment and refunding of the Refunded Bonds.

15. Arbitrage Covenants. (a) The City represents that there have not been issued, and covenants that there will not be issued, any obligations that will be treated as part of the

same issue of obligations as the Bonds within the meaning of Treasury Regulations Section 1.150-1(c).

(b) The City covenants that it shall not take or omit to take any action the taking or omission of which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or otherwise cause interest on the Bonds to be includable in the gross income for federal income tax purposes of the registered owners thereof under existing law. Without limiting the generality of the foregoing, the City shall comply with any provision of law that may require the City at any time to rebate to the United States any part of the earnings derived from the investment of the gross proceeds of the Bonds, unless the City receives an opinion of nationally recognized bond counsel that such compliance is not required to prevent interest on the Bonds from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law. The City shall pay any such required rebate from its legally available funds.

16. Non-Arbitrage Certificate and Elections. Such officers of the City as may be requested by the City's bond counsel are authorized and directed to execute an appropriate certificate setting forth (a) the expected use and investment of the proceeds of the Bonds in order to show that such expected use and investment will not violate the provisions of Section 148 of the Code and (b) any elections such officers deem desirable regarding rebate of earnings to the United States for purposes of complying with Section 148 of the Code. Such certificate shall be prepared in consultation with the City's bond counsel, and such elections shall be made after consultation with bond counsel.

17. Limitation on Private Use. The City covenants that it shall not permit the proceeds of the Bonds or the facilities refinanced with the proceeds of the Bonds to be used in any manner that would result in (a) 5% or more of such proceeds or facilities being used in a trade or business carried on by any person other than a governmental unit, as provided in Section 141(b) of the Code, (b) 5% or more of such proceeds or facilities being used with respect to any output facility (other than a facility for the furnishing of water), within the meaning of Section 141(b)(4) of the Code, or (c) 5% or more of such proceeds being used directly or indirectly to make or finance loans to any persons other than a governmental unit, as provided in Section 141(c) of the Code; provided, however, that if the City receives an opinion of nationally recognized bond counsel that any such covenants need not be complied with to prevent the interest on the Bonds from being includable in the gross income for federal income tax purposes of the registered owners thereof under existing law, the City need not comply with such covenants.

18. Continuing Disclosure Agreement. The President of the Common Council and the City Manager, either of whom may act, are hereby authorized and directed to execute a continuing disclosure agreement (the "Continuing Disclosure Agreement") setting forth the reports and notices to be filed by the City and containing such covenants as may be necessary to assist the purchaser of the Bonds in complying with the provisions of the Rule promulgated by the SEC. The Continuing Disclosure Agreement shall be substantially in the form of the City's prior Continuing Disclosure Agreements, which is hereby approved for purposes of the Bonds; provided that the City Manager, in collaboration with the Financial Advisor, may make such changes in the Continuing Disclosure Agreement not inconsistent with this Resolution as she

may consider to be in the best interests of the City. The execution thereof by such officers shall constitute conclusive evidence of their approval of any such completions, omissions, insertions and changes.

19. Other Actions. All other actions of officers of the City in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds are hereby ratified, approved and confirmed. The officers of the City 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 Bonds.

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

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

EXHIBIT A

[FORM OF BOND]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED **REGISTERED**

No. R-____ **$_____**

UNITED STATES OF AMERICA

COMMONWEALTH OF VIRGINIA

CITY OF WINCHESTER

General Obligation Public Improvement Refunding Bond

Series 2014

INTEREST RATE	**MATURITY DATE**	**DATED DATE**	**CUSIP**
_____%	_____, ____	_____, 2014	_____ ___

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: **DOLLARS**

The City of Winchester, Virginia (the "City"), for value received, promises to pay, upon surrender hereof to the registered owner hereof, or registered assigns or legal representative, the principal sum stated above on the maturity date stated above, subject to prior redemption as hereinafter provided, and to pay interest hereon from its date semiannually on each _____ and _____, beginning _____, 20__, at the annual rate stated above, calculated on the basis of a 360-day year of twelve 30-day months. Principal, premium, if any, and interest are payable in lawful money of the United States of America by the City Treasurer, who has been appointed paying agent and registrar for the bonds, or at such bank or trust company as may be appointed as successor paying agent and registrar by the City (the "Registrar").

Notwithstanding any other provision hereof, this bond is subject to a book-entry system maintained by The Depository Trust Company ("DTC"), and the payment of principal, premium,

if any, and interest, the providing of notices and other matters shall be made as described in the City's Letter of Representations to DTC.

This bond is one of an issue of $_____ General Obligation Public Improvement Refunding Bonds, Series 2014, of like date and tenor, except as to number, denomination, rate of interest, privilege of redemption and maturity, and is issued pursuant to the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991. The bonds are being issued pursuant to a resolution adopted by the Common Council of the City (the "Common Council") on _____, 2014, to refund certain of the City's general obligation bonds.

Bonds maturing on or before _____, 20__, are not subject to redemption prior to maturity. Bonds maturing on or after _____, 20__, are subject to redemption prior to maturity at the option of the City on or after _____, 20__, in whole or in part (in any multiple of $5,000) at any time, upon payment of the following redemption prices (expressed as a percentage of principal amount of bonds to be redeemed) plus interest accrued and unpaid to the date fixed for redemption:

Period During Which Redeemed (Both Dates Inclusive)	**Redemption Price**

[Bonds maturing on _____, 20__, are required to be redeemed in part before maturity by the City on _____ in the years and amounts set forth below, at a redemption price equal to the principal amount of the bonds to be redeemed, plus accrued interest to the redemption date:

Year	**Amount**	**Year**	**Amount]**

If less than all of the bonds are called for redemption, the bonds to be redeemed shall be selected by the chief financial officer of the City in such manner as such officer may determine to be in the best interests of the City. If less than all of the bonds of any maturity are called for redemption, the bonds within such maturity to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, (a) the portion of any bond to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and (b) in selecting bonds for redemption, each bond shall be considered as representing that number of bonds that is obtained by dividing the principal amount of such bond by $5,000. The City shall cause notice of the call for redemption identifying the bonds or portions thereof to be redeemed to be sent by facsimile or electronic transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to the registered owner hereof. If a portion of this bond is called for redemption, a new bond in principal amount of the unredeemed portion hereof will be issued to the registered owner upon surrender hereof.

The City may give notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. On presentation and surrender of the bonds called for redemption at the place or places of payment, such bonds shall be paid and redeemed.

The full faith and credit of the City 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 Common 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 City sufficient to pay when due the principal of and premium, if any, and interest on this bond.

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 others 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 the issue of bonds of which this bond is one, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and statutes of the Commonwealth of Virginia.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the City of Winchester, Virginia, has caused this bond to be to be signed by the President of the Common Council and the City Treasurer, its seal to be affixed hereto and attested by the Clerk of the Common Council, and this bond to be dated the date first above written.

(SEAL)

_____
President of the Common Council, City of Winchester, Virginia

_____
City Treasurer, City of Winchester, Virginia

(ATTEST)

_____
Clerk of the Common Council, City of Winchester, Virginia

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.