



**TOWN COUNCIL  
Special Meeting  
Town Hall  
November 14, 2013  
6:00 P.M.**

At 6:00 p.m. Mayor Dora Sullivan, having established a quorum, called to order the Special Meeting of the Town Council. In addition to Mayor Sullivan, present were Vice Mayor Bannon, Councilmen Godwin, Sullivan and Wendell. Councilman Bennett and Councilwoman Natali were not in attendance. Also in attendance were Town Manager Heather Arcos, Treasurer Kim Coates, Harbor Master Smitty Dize, Sergeant Jim Pruitt and Town Clerk Libby Hume as well as three members of the public.

**PUBLIC COMMENTS:**

There were no public comments to be heard. Town Clerk Libby Hume read a letter which was submitted via email.

*Jack Forgosh, 307-309 Randolph Avenue*

I just learned of the municipality's intention to refinance our loan based upon the recommendation of David Rose at Davenport & Company.

I am a seasonal resident of Cape Charles and I hope to become a full time resident in a few more years.

While I am not privy to all of the details of our financing, I can tell you with a very high level of confidence that the fixed rate available to the Council and our residents is at historic lows. I understand the appeal of lowering monthly payments by extending the duration of this loan, however, the risks of a rate increase after ten years outweighs the short term savings on our principal and interest payments.

The primary saving is not the difference between a 2.65% rate and a 3.1% rate but rather from the extension of the loan from 15 year loan via sun trust to a 20 year loan via PNC. The probability that loan rates (unless there are provisions written into the loan doc) will be higher than the 2.65% is probability approaching 100%. There is also a reasonably high probability that interest rates for this loan, ten years from now, could easily be reset in the 6% to 10% range. Nobody truly knows where rates will be, ten years from now; however, this council has the opportunity eliminate the debt of Cape Charles at these historic low rates.

**A variable rate loan should not be considered.** It is reckless and irresponsible and whoever we are paying to advising us is putting this town's finances and budget at risk. There must be another solution if a 15 yr. fixed rate bond does not generate enough new funds needed for infrastructure investments. Refinancing is the right move. Investing in infrastructure is also needed for growth; however, committing to a variable rate bond should be taken off the table.

Please explore additional fixed rate financing options. A variable rate loan in what could prove to be a rising interest rate environment could prove to be disastrous for our town and its residents.

There were no additional written comments submitted prior to the meeting.

## **ORDER OF BUSINESS:**

### **A. *Davenport & Company – Review of Financing Options:***

Town Manager Heather Arcos introduced Mr. David Rose from Davenport & Company and Mr. Kevin White, Bond Counsel from Kaufman & Canoles.

Mr. Rose began by responding to Mr. Forgosh's comment regarding extending the duration of the loan and stated that in actuality, the term of the existing loans were being shortened, not lengthened. Mr. Rose went on to state that his presentation to Council in August discussed financing up to \$1M in potential capital projects and primarily \$700 of the new money would be tied to the Enterprise Fund for water and sewer and \$300K to the General Fund. Decisions made tonight would not bind the Town to borrow \$1M. Based on the new money needs and the potential refinancing opportunity, Mr. Rose recommended that the Town pursue two potential financing scenarios via a competitive Bank Request for Proposal (RFP) process – i) the potential refinancing on its own; and ii) a strategic layering of the new money needs around the potential refinancing. The goal was to have a minimal impact to the General or Enterprise Funds. This would give the Town the flexibility to move forward with both the potential refinancing and the new money needs, with either one or the other, or neither. On October 15, 2013, Davenport distributed an RFP for the potential financing to local, regional and national banking institutions. Going into the RFP process, Town staff worked with Davenport to identify the following goals and objectives: i) Take advantage of this historically, low interest rate environment and lock-in interest saving; ii) Achieve debt service savings of at least \$200K or 3.0% Present Value which was the industry standard for a successful refinancing; iii) Obtain separate bids on approximately \$1M to finance the Town's new money needs; and iv) With firm proposals in hand, demonstrate what the cash flow impact of the potential refinancing and new money would be to the Town's Enterprise and General Funds. The key focus was how the Town could both maximize debt service savings from the potential refinancing while minimizing the cash flow impact of the new money needs. The RFP was sent to a couple of dozen institutions and three proposals were received from PNC Bank, N.A., SunTrust Institutional & Government, and Towne Bank. The two leading proposals were as follows: i) PNC proposed a 2.65% interest rate with a 10-year rate reset for a total term of 20 years with no prepayment penalties; and ii) SunTrust proposed a 3.10% 15-year fixed rate with no prepayment penalties. Based upon the combination of the goals and objectives, Mr. Rose stated that Davenport recommended PNC Bank for the refinancing, and, if desired, the new money as well. Mr. Rose stated that Davenport's recommendation was the PNC proposal and reviewed the Summary of Refinancing Results for the PNC Proposal which showed a known savings of \$231K. The Summary of New Money Results for the PNC Proposal was also reviewed briefly.

Councilman Wendell asked how the rate could be locked in when the recommendation was for a variable rate. Mr. Rose explained that the recommendation was not for a variable rate and added that the rate would be reset in 10 years. It was impossible to predict what the rate would be in 10 years, but if the 2.65% rate were to double in 10 years, the Town would still be saving approximately \$150K. The refinancing and new money would allow the Town to move forward with the Capital Projects without having to increase utility rates for the users.

Mr. Rose distributed a handout depicting the figures for refinancing and new money from SunTrust and added that if the Town did not need new money, the SunTrust proposal would have been recommended. This was a shorter term at 3.10% fixed rate with no reset which would save the Town about \$292K over the term of the loan. The savings were back-ended. The Town would pay about \$1,750 more per year for the first ten years before seeing any savings in debt service. In looking at the numbers, since the Town did need new money, Mr. Rose stated that he recommended the proposal from PNC where the Town would benefit from the inception of the loan(s). Mr. Rose continued to state that Davenport was paid the same amount with either option. If Council decided to move forward with the new money at around

the same time as the refinancing, only one fee would be charged. The total fee of \$37,500 was factored into the figures being reviewed this evening.

Councilman Wendell stated that the new money needs had not been discussed enough by Council in developing the "wish list" and went on to ask how the Town would be affected if the new money needs were cut in half. Mr. Rose stated that the debt service would be less if the new money needs were cut in half and added that the Town did not need to borrow \$1M. The proposals would give the Town the option to borrow up to \$1M and he would work with Council over the next several months to determine how much was needed initially. Council did not have to decide which projects to move forward with at this time. The banks just needed to know the amounts. If the Town borrowed \$700K now and found that it did not need the entire amount, it could pay back the excess money with no prepayment penalty. Mr. Rose stated that the Town would borrow money with reasonable expectations to spend it within three years. 85% of the money borrowed needed to be used within a three-year period.

Heather Arcos stated that the Capital Improvement Projects spreadsheet was based on priorities discussed previously and some of the items had been on the list for a number of years, such as the pump stations, manholes, and connection of wells. These were infrastructure projects that the Town needed. The Town needed to plan for items which were necessary to reduce the impact to the users.

Councilman Wendell reiterated his concern that the capital projects needed more discussion and suggested the manholes be done 10-20 at a time vs. all 100. There needed to be more discussion regarding the breakwaters at the Harbor as well and he did not see them as a priority at this time. Councilman Wendell brought up Davenport's recommendation from February for a 19-year fixed rate which showed a guaranteed savings of \$231K. Mr. Rose explained that the information and figures provided in February were estimates of what the Town could do, but that a recommendation was not made since no proposals were received at the time. The numbers reviewed tonight showed the known savings since we now had the rates and proposals.

There was much discussion regarding the Capital Improvement Project spreadsheet and the proposals from PNC and SunTrust.

Councilman Wendell asked about the total indebtedness of the Town. Treasurer Kim Coates stated that she did not have the total amount but listed the debt service for FY 2014 as follows: i) \$1,579,300 for the 1992 FHA General Obligation Bond for the Water System; ii) \$62,500 for the 2003 FHA General Obligation Bond for the Sewer; iii) \$1,795,000 for the 2006B VML/VaCo General Obligation Bond for public improvements; iv) \$5,151,627 for the 2010C General Obligation & Revenue Bond from the Virginia Resources Authority; v) \$2,120,000 from VML/VaCo; and vi) \$500,000 for the 2010F General Obligation Bond from VML/VaCo. The Town also had loans for the police vehicles. Mr. Rose stated that as of June 30, 2012, the Town's total indebtedness appeared to be about \$10M. Heather Arcos added that \$5M of that was for the wastewater treatment plant.

Councilman Godwin stated that he didn't see anything wrong with the recommendation and suggested moving forward.

Councilman Sullivan agreed but added that he did not disagree with Councilman Wendell's concerns regarding the capital projects and the priorities. Councilman Sullivan continued to state that the capital projects would have to be done over the next several years and if the Town waited to borrow the money until that time, the prosed rates probably would not be available and the project costs would most likely be higher. The Town would have to increase the rates to pay for the project. By refinancing existing debt and borrowing new money as proposed, the Town could take care of the capital projects and not increase the annual debt service.

Heather Arcos stated that the amounts shown for the various capital projects were estimated through previous preliminary engineering reports. Better costs would be obtained when the projects were put out to bid. The Town was permitted for three additional sections of breakwater for the Harbor and had \$500K from the Virginia Port Authority (VPA) Grant for the Harbor breakwater but was unable to construct the next section due to lack of funding for the match. This loan was the Town's opportunity to complete the next section of the breakwater to better protect the Harbor and promote economic development in the Harbor area. In regards to the Cape Charles Trail project, \$150K was included in this year's budget and another \$150K would be included in next year's budget for the Town's match for the next phase of the trail. Borrowing the \$300K for the match would reduce the need to budget the additional \$150K in FY 2015.

Vice Mayor Bannon stated that in the past, the Town put off all maintenance and construction on its infrastructure and became a disaster. The Town had improved significantly over the past 10 years and was now moving forward. He did not want to go back to years past by again putting off the capital projects that Council knew were necessary. Mr. Rose added that the bottom line was to increase rates and taxes to pay for \$700K of infrastructure or borrow the money to complete the projects without having to increase rates and taxes. Davenport looked at the overall big picture to make the recommendation being presented.

**Motion made by Councilman Godwin, seconded by Vice Mayor Bannon, to move forward with the refinancing and schedule the public hearing for the new loan through PNC Bank.**

Councilman Wendell stated that Council had not spent enough time reviewing and discussing the capital improvements projects and added that a work session was needed. The Town just raised the tax rate this year although the property assessments had decreased. The Town also had the largest increase in utility rates this year. Council was spending other people's money and needed to keep that in mind. The breakwater project was not an immediate need vs. the sewer pumps. There was a lot of information on the table tonight that was provided for the first time. The Poquoson contract was just provided but voted for in September without anyone reviewing it. Another work session was needed before moving forward to see how much money was needed.

Councilman Godwin asked Mr. Rose how long the proposed rates were good. Mr. Rose responded that the rates and structure for the refinancing were good until December 10 and about December 19 for the new money.

Heather Arcos stated that a work session was scheduled following the public hearing on December 5 where Council could review the list of capital improvement projects to identify the priorities.

Mr. Rose stated that it seemed that all agreed that the refinancing made sense. Council could further discuss the new money on December 5 before making a decision. Mr. Kevin White added that the public hearing notice could state that the Town would be borrowing up to \$1M. After the December 5 meeting, if Council decided that less money was needed, there would be no problem to borrow a lesser amount.

Libby Hume informed Council that Councilman Bennett sent his apologies for not being in attendance this evening but he was tied up at work and unable to leave. He wanted to let Council know that he was in favor of moving forward with the refinancing and with scheduling a public hearing. Councilwoman Natali was out of the country but sent an email stating that she was in favor of moving forward with the refinancing.

Mr. White reviewed the basics of the Resolution for the refinancing. Mayor Sullivan read paragraph 3 of the resolution.

Councilman Wendell asked why the resolution wasn't included in the original agenda packet for this meeting. Heather Arcos stated that the resolution was just received and the packets had already been distributed last week and added that if Council preferred, the decision on the refinancing could wait until December 5 as well.

Councilman Sullivan stated that this resolution was for the refinancing only and did not obligate the Town to any new money and added that he had no problem with moving forward in adopting this resolution tonight and setting a public hearing for the new money.

Councilman Wendell expressed his concern regarding the commitment to PNC for the refinancing before Council had discussed and prioritized the projects. Councilman Sullivan stated that the projects had been on the table for years but Council had not discussed the prioritization because there was no money to move forward with any of the projects until now.

**Mayor Sullivan moved for adoption of Resolution #20131114 – Resolution of the Town Council of the Town of Cape Charles, Virginia, Authorizing the Issuance of a General Obligation Refunding Bond in a Principal Amount Not to Exceed \$1,215,000, and Providing for the Form and Details Thereof as noticed, forewent reading of the Resolution and called for a vote on the motion to move forward with the refinancing through PNC Bank. The motion was approved by majority vote. Roll call vote: Bannon, yes; Godwin, yes; Sullivan, yes; Wendell, no.**

**Mayor Sullivan called for a vote on the motion to schedule a public hearing for the new loan with PNC Bank. The motion was approved by majority vote. Roll call vote: Bannon, yes; Godwin, yes; Sullivan, yes; Wendell, no.**

*B. Historic District Review Board Vacancy:*

Heather Arcos stated that Mr. Theodore Warner tendered his resignation from the Historic District Review Board (HDRB). Zoning Ordinance Section 8.9-Historic District Review Board Qualifications and Article 2-2 of the Historic District Review Board By-Laws state "members of the Historic District Review Board shall have demonstrated interest and knowledge in the historical and architectural development of the Town and when possible be a licensed architect or engineer, planning commission member, or licensed building contractor." At the November 5 Planning Commission meeting, the Commission discussed the vacancy along with the HDRB By-Laws and voted to nominate Ms. Sandra Salopek to be considered to serve as the Planning Commission representative on the HDRB. Staff was in agreement with the Planning Commission and recommended appointing Ms. Sandra Salopek as the Planning Commission representative on the HDRB.

**Motion made by Vice Mayor Bannon, seconded by Councilman Sullivan, to appoint Ms. Sandra Salopek as the Planning Commission representative to the Historic District Review Board.**

Councilman Wendell stated that in the past, Council interviewed interested applicants to fill vacancies. Heather Arcos responded that the HDRB By-Laws recommended a Planning Commissioner on the Board. The Planning Commission discussed the issue and felt that it would be beneficial to have a Commissioner on the HDRB. At this time, there was one application from an interested citizen and if Council preferred, staff could advertise the vacancy and schedule interviews to fill this position on the Board.

Vice Mayor Bannon stated that the Planning Commission and other Boards included members from the Town Council and Planning Commission and he thought the HDRB did as well. Vice

Mayor Bannon continued to state that he felt that it would be beneficial to have a Planning Commission representative on the HDRB.

Councilman Wendell added that he felt that all members of the HDRB should be residents of the Historic District. Libby Hume responded that the HDRB By-Laws were recently revised and approved in September 2013. The By-Laws stated that at least three of the five members of the HDRB be residents of the Historic District. The draft By-Laws were provided to the Town Council for their review and comments. All of Council's concerns were addressed prior to approval. There was no mention about changing the membership requirement to mandate that all members live in the Historic District.

**Mayor Sullivan called for a vote on the motion. The motion was approved by majority vote with Councilman Wendell opposed.**

**Motion made by Vice Mayor Bannon, seconded by Councilman Wendell, to adjourn the Town Council Special Meeting. The motion was approved by unanimous consent.**

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Mayor Sullivan

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Town Clerk

## RESOLUTION 20131114

### RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF CAPE CHARLES, VIRGINIA, AUTHORIZING THE ISSUANCE OF A GENERAL OBLIGATION REFUNDING BOND IN A PRINCIPAL AMOUNT NOT TO EXCEED \$1,215,000, AND PROVIDING FOR THE FORM AND DETAILS THEREOF

**WHEREAS**, the Town Council of the Town of Cape Charles, Virginia (the "Council"), has determined to issue a general obligation refunding bond of the Town of Cape Charles, Virginia (the "Town"), in a principal amount not to exceed \$1,215,000, for the purpose of (a) refunding the Town's \$1,579,300 in original principal amount General Obligation Water System Bond, issued on September 3, 1992 (the "Series 1992 Bond"), and the Town's \$62,500 in original principal amount General Obligation Sewer Bond, issued on December 30, 2003 (the "Series 2003 Bond"), and (b) paying certain costs incurred in issuing the refunding bond; and

**WHEREAS**, the Town Manager, the Town's Director of Finance and representatives of Davenport & Company LLC, acting as the Town's financial advisor (the "Financial Advisor"), have recommended to the Council that the Town issue and sell such refunding bond in a private placement to a financial institution that it determines, with the assistance of such officials, has provided the most favorable terms among the several proposals previously solicited and received by the Financial Advisor and the Town;

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE TOWN OF CAPE CHARLES, VIRGINIA:**

1. **Authorization of Bonds and Use of Proceeds.** The Council hereby determines that it is advisable to contract a debt and issue and sell a general obligation refunding bond of the Town in an aggregate principal amount not to exceed \$1,215,000 (the "Bond") for the purpose of prepaying the Series 1992 Bond and the Series 2003 Bond in full and paying certain costs incurred in issuing the Bond. The Council hereby authorizes the issuance and sale of the Bond in the form and upon the terms established pursuant to this Resolution.

2. **Award of the Bond.** It is determined to be in the best interests of the Town to accept the proposal described or set forth on Exhibit B attached hereto, which the Council hereby determines, with the assistance of the Town Manager, the Town's Director of Finance and the Financial Advisor, contains the most favorable terms received by the Town for the sale of the Bond; provided, however, that this authorization shall be conditioned upon the Bond's conformity with all of the terms and limitations hereinafter set forth in this Resolution. All prior actions by officers, employees and agents of the Town to solicit proposals from financial institutions for the placement of the Bond are hereby ratified and confirmed.

3. **Details of the Bond.** The Bond shall be issuable in fully registered form; shall be dated the date of its issuance and delivery; shall be designated "General Obligation Refunding Bond, Series 2013"; shall bear interest from the date of delivery thereof payable semi-annually on

each March 1 and September 1, commencing March 1, 2014, or such other semiannual payment dates as may be agreed upon by the Town Manager (each an "Interest Payment Date"), at an interest rate of 2.65% per annum, subject to adjustment no earlier than the tenth anniversary of the first Interest Payment Date; and shall be payable as to principal in annual installments on each March 1 commencing on March 1, 2014, or such other annual payment date as may be agreed upon by the Town Manager (each a "Principal Payment Date"), with a final maturity no later than twenty years after such date. Interest shall be calculated based on a year of 360 days with twelve 30 day months.

4. **Form of the Bond.** The Bond shall be in the form of a single typewritten Bond substantially in the form attached hereto as Exhibit A.

5. **Payment; Paying Agent and Bond Registrar.** The following provisions shall apply to the Bond:

(a) All payments of principal, premium, if any, and interest on the Bond shall be made in immediately available funds to the holder of the Bond at or before 11:00 a.m. on the applicable Interest Payment Date or Principal Payment Date, or if such date is not a business day for Virginia banks or for the Commonwealth of Virginia, then at or before 11:00 a.m. on the business day next succeeding such Interest Payment Date or Principal Payment Date.

(b) All overdue payments of principal and, to the extent permitted by law, interest shall bear interest at the interest rate on the Bond.

(c) The Director of Finance is designated as Bond Registrar and Paying Agent for the Bond.

6. **Prepayment.** The principal of the Bond shall be subject to prepayment in whole or in part at the option of the Town at any time at the prepayment price of 100% of principal plus accrued interest to the prepayment date upon receipt of at least ten (10) days' prior written notice by the registered owner of the Bond.

7. **Execution of the Bond.** The Mayor or Vice Mayor and the Clerk or any Deputy Clerk of the Council are authorized and directed to execute and deliver the Bond and to affix the seal of the Town thereto.

8. **Pledge of Full Faith and Credit.** For the prompt payment of the principal of and premium, if any, and the interest on the Bond as the same shall become due, the full faith and credit of the Town are hereby irrevocably pledged, and in each year while the Bond shall be outstanding there shall be levied and collected in accordance with law an annual ad valorem tax upon all taxable property in the Town subject to local taxation sufficient in amount to provide for the payment of the principal of and premium, if any, and the interest on the Bond as such principal, premium, if any, and interest shall become due, which tax shall be without limitation as to rate or amount and in addition to all other taxes authorized to be levied in the Town to the extent other funds of the Town are not lawfully available and appropriated for such purpose.

9. **Use of Proceeds Certificate and Certificate as to Arbitrage.** The Mayor, the Town Manager and such officer or officers of the Town as either may designate are hereby authorized and directed to execute a Certificate as to Use and Investment of Proceeds of the Bond setting forth the expected use and investment of the proceeds of the Bond and containing such covenants as may be necessary in order to show compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations relating to the exclusion from gross income of interest on the Bond. The Council covenants, on behalf of the Town, that (i) the proceeds from the issuance and sale of the Bond will be invested and expended as set forth in such Certificate and that the Town shall comply with the other covenants and representations contained therein and (ii) the Town shall comply with the provisions of the Code so that (A) interest on the Bond will remain excludable from gross income for Federal income tax purposes and (B) the Bond will remain a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

10. **Designation of the Bond as Qualified Tax-Exempt Obligation.** The Council hereby designates the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code as the reasonably anticipated amount of tax-exempt obligations which will be issued by the Town or any entity issuing obligations on behalf of the Town in calendar year 2013 is not expected to exceed \$10,000,000.

11. **Filing of Resolution.** The appropriate officers or agents of the Town are hereby authorized and directed to cause a certified copy of this Resolution to be filed with the Circuit Court of Northampton County, Virginia.

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

13. **Effective Date.** This Resolution shall be in effect on and after November 14, 2013.

Adopted: November 14, 2013

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Mayor,  
Town of Cape Charles, Virginia

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The undersigned Clerk of the Council of the Town of Cape Charles, Virginia (the "Council"), hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a special meeting of the Council held on November 14, 2013, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that, during the consideration of the foregoing resolution, a quorum was present at all times. A summary of the members of the Council present or absent at the meeting, and the recorded vote with respect to the resolution, is set forth below:

Member Name	<u>Voting</u>				
	Present	Absent	Yes	No	Abstaining
Dora Sullivan, Mayor	<u>X</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Chris Bannon, Vice Mayor	<u>X</u>	<u>          </u>	<u>X</u>	<u>          </u>	<u>          </u>
Steve Bennett	<u>          </u>	<u>X</u>	<u>          </u>	<u>          </u>	<u>          </u>
Thomas Godwin	<u>X</u>	<u>          </u>	<u>X</u>	<u>          </u>	<u>          </u>
Joan Natali	<u>          </u>	<u>X</u>	<u>          </u>	<u>          </u>	<u>          </u>
Mike Sullivan	<u>X</u>	<u>          </u>	<u>X</u>	<u>          </u>	<u>          </u>
Frank Wendell	<u>X</u>	<u>          </u>	<u>          </u>	<u>X</u>	<u>          </u>

**WITNESS MY HAND** and the seal of the Town of Cape Charles, Virginia, this 15<sup>th</sup> day of November, 2013.

\_\_\_\_\_  
Clerk, Council of the  
Town of Cape Charles, Virginia

[SEAL]

EXHIBIT A  
(FORM OF BOND)

NO. R-1

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA**  
**COMMONWEALTH OF VIRGINIA**  
**TOWN OF CAPE CHARLES**  
**General Obligation Refunding Bond**  
**Series 2013**

The **TOWN OF CAPE CHARLES, VIRGINIA** (the "Town"), for value received, hereby acknowledges itself indebted and promises to pay to \_\_\_\_\_ (the "Bank"), or registered assigns or legal representative, the principal amount of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), together with interest from the date of this Bond on the outstanding principal balance hereof, payable semi-annually on [March 1] and [September 1] of each year, commencing [March 1], 2014 (each an "Interest Payment Date"), at the rate of \_\_\_\_\_% per annum, subject to prepayment as hereinafter provided. Interest shall be calculated based on a year of 360 days with twelve 30 day months. Principal of this Bond shall be payable in annual installments as set forth on Schedule 1 attached hereto (each a "Principal Payment Date" and together with each Interest Payment Date, a "Payment Date"). Both principal of and interest on this Bond are payable in lawful money of the United States of America.

The Director of Finance, as bond registrar (the "Bond Registrar"), shall make all payments of principal, premium, if any, and interest on this Bond, without the presentation or surrender hereof, to the Bank, in immediately available funds at or before 11:00 a.m. on the applicable Payment Date or date fixed for prepayment. If a Payment Date or date fixed for prepayment is not a

business day for banks in the Commonwealth of Virginia or for the Commonwealth of Virginia, then the payment of principal, premium, if any, or interest on this Bond shall be made in immediately available funds at or before 11:00 a.m. on the business day next succeeding the scheduled Payment Date or date fixed for prepayment. Upon receipt by the registered owner of this Bond of said payments of principal, premium, if any, and interest, written acknowledgment of the receipt thereof shall be given promptly to the Bond Registrar, and the Town shall be fully discharged of its obligation on this Bond to the extent of the payment so made. Upon final payment, this Bond shall be surrendered to the Bond Registrar for cancellation.

The full faith and credit of the Town are irrevocably pledged for the payment of the principal of and the premium, if any, and interest on this Bond. The resolution adopted by the Council authorizing the issuance of this Bond provides, and Section 15.2-2624, Code of Virginia 1950, as amended, requires, that there shall be levied and collected an annual tax upon all taxable property in the Town subject to local taxation sufficient to provide for the payment of the principal, premium, if any, and interest on this Bond as the same shall become due which tax shall be without limitation as to rate or amount and shall be in addition to all other taxes authorized to be levied in the Town to the extent other funds of the Town are not lawfully available and appropriated for such purpose.

This Bond is duly authorized and issued in compliance with and pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia 1950, as amended, and a resolution duly adopted by the Council of the Town to provide funds to refund the Town's \$1,579,300 in original principal amount General Obligation Water System Bond, issued on September 3, 1992, and the Town's \$62,500 in original

principal amount General Obligation Sewer Bond, issued on December 30, 2003, and to pay certain costs incurred in issuing this Bond.

This Bond is registered in the name of the Bank on the books of the Town kept by the Bond Registrar, and the transfer of this Bond may be effected by the registered owner of this Bond only upon due execution of an assignment by such registered owner. Upon receipt of such assignment, the Bond Registrar shall register this Bond on such registration books in the name of the assignee or assignees named in such assignment.

This Bond is subject to prepayment in whole or in part at any time at the option of the Town at the price of par plus accrued interest to the prepayment date, upon receipt of at least ten (10) days prior written notice by the registered owner of this Bond.

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

**IN WITNESS WHEREOF**, the Council of the Town of Cape Charles, Virginia, has caused this Bond to be issued in the name of the Town of Cape Charles, Virginia, to be signed by its Mayor or Vice-Mayor, its seal to be affixed hereto and attested by the signature of its Clerk or any of its Deputy Clerks, and this Bond to be dated December \_\_, 2013.

**TOWN OF CAPE CHARLES, VIRGINIA**

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Mayor,  
Town of Cape Charles, Virginia

(SEAL)

ATTEST:

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Clerk, Council of the  
Town of Cape Charles, Virginia

**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 Bond and irrevocably constitutes and appoints

\_\_\_\_\_ attorney to register the transfer of such Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: \_\_\_\_\_

\_\_\_\_\_  
Registered Owner

Signature Guaranteed:

(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 change.)

\_\_\_\_\_  
(NOTICE: Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar which requirements will include Membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Schedule 1 to  
Town of Cape Charles  
General Obligation Refunding Bond,  
Series 2013

Payment Date

Principal Amount

EXHIBIT B

Summary or Copy of Selected Proposal

To be attached.