

REGIONS CAPITAL ADVANTAGE, INC.

September 20, 2022

Bette Wordelman, Finance Director
City of Lee's Summit, Missouri
220 SE Green Street
Lee's Summit, Missouri 64063

Reference: Up to \$5,420,000 Non-Bank Qualified Term Loan (the "Loan")

Dear Ms. Wordelman:

Regions Capital Advantage, Inc. (the "Lender") is pleased to furnish this Term Sheet (this "Term Sheet") to the City of Lee's Summit, Missouri (the "Borrower") and the Borrower's placement agent, Drexel Hamilton (the "Placement Agent"). This Term Sheet contains an outline of suggested terms only, and it does not represent a commitment by the Lender or create any obligation whatsoever on the Lender's part. It is for discussion purposes only, and the outlined terms have not received final approval by the appropriate lending authorities within Regions Capital Advantage, Inc.

Borrower: City of Lee's Summit, Missouri

Lender: Regions Capital Advantage, Inc.

Role of Lender: The Lender and its representatives are not registered municipal advisors and do not provide advice to municipal entities or obligated persons with respect to municipal financial products or the issuance of municipal securities (including regarding the structure, timing, terms and similar matters concerning municipal financial products or municipal securities issuances) or engage in the solicitation of municipal entities or obligated persons for the provision by non-affiliated persons of municipal advisory services and/or investment advisory services. With respect to this Term Sheet and any other information, materials or communications provided by the Lender: (a) the Lender and its representatives are not recommending an action to any municipal entity or obligated person; (b) the Lender and its representatives are not acting as an advisor to any municipal entity or obligated person and do not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to any municipal entity or obligated person with respect to this Term Sheet, information, materials or communications; (c) the Lender and its representatives are acting for their own interests; and (d) the Borrower has been informed that the Borrower should discuss this Term Sheet and any such other information, materials or communications with any and all internal and external advisors and experts that the Borrower deems appropriate before acting on this Term Sheet or any such other information, materials or communications.

Privately Negotiated Loan: The Borrower acknowledges and agrees that the Lender is purchasing the Debt Instrument (as hereinafter defined) in evidence of a privately negotiated loan and in that connection the Debt Instrument shall not be (i) assigned a separate rating by any municipal securities rating agency, (ii) registered with The Depository Trust Company or any other securities depository, (iii) issued pursuant to any type of offering document or official statement or (iv) assigned a CUSIP number.

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Purpose: The proceeds of the Loan will be used to fund infrastructure and public safety improvements as well as fund costs of issuance.

Loan Amount: Up to \$5,420,000.

Structure: Non-Bank Qualified Tax-Exempt General Obligation Term Loan evidenced by a promissory note, bond or other debt instrument (the "Debt Instrument" or the "Bonds"). The Bonds shall be issued in denominations of \$100,000 and or integral multiples of \$5,000 in excess thereof.

Interest Rate: The Loan is a Tax-Exempt, Non-Bank Qualified Loan.

The Loan will bear interest at a fixed rate per annum of 3.56% through the Maturity Date. The aforementioned interest rate assumes closing occurs on or before October 20, 2022. If closing occurs after October 20, 2022, the rate is subject to change based upon current market conditions.

Default Rate: The interest rate otherwise applicable to the Debt Instrument plus 5%.

Repayment: Interest will be payable semi-annually (calculated on the basis of a 30 day month and a 360 day year) on each April 1 and October 1, commencing April 1, 2023. Annual principal payments will be payable each April 1, commencing April 1, 2023. Graduated principal payments due as set forth in Exhibit A. All payments are due on the same calendar day of the month.

Maturity Date: April 1, 2026. Maturity Date must fall on a payment due date.

Prepayment: The Borrower may not prepay any part of the principal balance until April 1, 2025. On and after April 1, 2025, the Borrower may prepay all or any part of the principal balance of the Loan, on not less than 10 days' written notice to the Lender, with no penalty. The Borrower's notice of its intent to prepay shall be irrevocable. The Borrower agrees that its payment shall not in any way reduce, affect, or impair any other obligation of the Borrower under the Loan. All partial prepayments of principal shall be applied in the inverse order of maturities or sinking fund redemption date, as applicable.

Other Fees, Costs and Expenses: The Borrower will be responsible for all out-of-pocket fees, costs and expenses of the Lender (including, without limitation, counsel fees and expenses and costs associated with lien searches, and recordation, if any) incurred in connection with the negotiation, execution, delivery, administration and enforcement of the Loan Documents (as hereinafter defined). In consideration of the undertakings of the Lender hereunder, and recognizing that in connection herewith the Lender will be incurring such fees, costs and expenses, the Borrower agrees to reimburse the Lender for all such fees, costs and expenses, regardless of whether, or to what extent, any of the transactions contemplated hereby are consummated. Lender's Counsel fees are not to exceed \$6,000 assuming the Borrower's Bond Counsel will prepare the Loan Documents.

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Security: The Debt Instrument will be a general obligation of the Borrower payable as to both principal and interest from ad valorem taxes which may be levied, without limit as to rate or amount, upon all taxable tangible property, real and personal, within the territorial limits of the Borrower.

Determination of Taxability: Upon the occurrence of a Determination of Taxability of the Loan, the Borrower agrees: (i) the rate of interest on the Loan will be increased to a rate providing an after-tax yield on the then outstanding principal amount of the Loan at least equal to the after-tax yield the Lender could have received if a Determination of Taxability had not occurred (the "Taxable Rate"); (ii) to pay to the Lender on demand an amount equal to the difference between (1) the amount of interest that would have been paid to the Lender from the date of the closing of the Loan to and including the date of the Determination of Taxability, had the Loan borne interest at the Taxable Rate during such period, and (2) the amount of interest actually paid to the Lender during such period, and (iii) to pay to the Lender on demand, any interest, penalties or charges owed by the Lender as a result of interest on the Loan becoming included in the gross income of the Lender, together with any and all attorneys' fees, court costs, or other out-of-pocket costs incurred by the Lender in connection therewith. The taxable equivalent rate is 4.81%.

Representations and Warranties: Usual and customary for this type of financing.

Covenants: Usual and customary for this type of financing, including but not limited to the following:

- (1) The Borrower shall deliver to the Lender, in form and substance satisfactory to the Lender, audited financial statements within 180 days after the end of each of the Borrower's fiscal year's.
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Defaults: Usual and customary, including but not limited to the following:

- (1) The Borrower fails to pay when due any fee or expense payable under the Debt Instrument or the related documents evidencing the Loan (the "Loan Documents"); and
 - (2) Default shall be made by the Borrower in performance or observance of any of the other covenants, agreements or conditions on its part in the Loan Documents, and such default shall continue for a period of 30 days after written notice thereof to the Borrower by the Lender.
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Remedies: The Lender shall have all of the rights and remedies set forth in the Loan Documents, and available at law and in equity, for the enforcement thereof.

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Legal Opinions: As an additional condition precedent to the Lender making the Loan, the Borrower shall provide, among other things, the following opinions to the Lender:

- (1) an opinion of bond counsel in form and substance satisfactory to the Lender and its counsel in all respects, which shall include opinions to the effect that (a) the Borrower has the authority under the laws of the State of Missouri to issue the Debt Instrument and execute and deliver the Loan Documents, (b) that the Debt Instrument has been duly issued and each of the Debt Instrument and the other Loan Documents to which the Borrower is a party has been duly authorized, executed and delivered by the Borrower, (c) that each of the Debt Instrument and the other Loan Documents to which the Borrower is a party is a valid and binding obligation of the Borrower, duly enforceable in accordance with its terms, (d) that interest on the Debt Instrument is (i) excludable from gross income of the holders thereof for federal income tax purposes and (ii) is exempt from present income taxation in the State of Missouri, and (e) the Debt Instrument is a valid and legally binding general obligation of the Borrower payable as to both principal and interest from ad valorem taxes which may be levied, without limit as to rate or amount, upon all the taxable tangible property, real and personal, within the territorial limits of the Borrower.

Transfer Provisions: The Lender shall maintain the right to transfer and/or assign, in whole, its rights hereunder, the Debt Instrument and/or the Loan, or, in either case, any interest therein, in its sole and absolute discretion. The Lender agrees that in the event of any transfer of the Bonds it will only transfer the Bonds to an entity that is an “accredited investor” as defined in Regulation D under the Securities Act of 1933 and/or a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933. The Borrower may not assign its rights hereunder or under any of the Loan Documents to any person without the prior written consent of the Lender. The Lender will agree in the Loan Documents to comply with any and all applicable state and federal laws in any assignment or transfer of the Bonds or the Loan Documents.

Disclaimer: This Term Sheet describes some of the basic terms and conditions proposed to be included in the documents between the Lender and the Borrower. This Term Sheet does not purport to summarize all the conditions, covenants, representations, warranties, assignments, events of default, cross default, acceleration events, remedies or other provisions that may be contained in documents required to consummate this financing.

US Patriot Act: The Borrower represents and warrants to the Lender that neither it nor any of its principals, shareholders, members, partners, or Affiliates, as applicable, is a Person named as a Specially Designated National and Blocked Person (as defined in Presidential Executive Order 13224) and that it is not acting, directly or indirectly, for or on behalf of any such person. The Borrower further represents and warrants to the Lender that the Borrower and its principals, shareholders, members, partners, or Affiliates, as applicable, are not directly or indirectly, engaged in, nor facilitating, the transactions contemplated by this transaction on behalf of any Person named as a Specially Designated National and Blocked Person.

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Loan vs. Security: The Lender will acquire the Bonds as evidence of a loan. In accordance therewith the Lender will want the closing documents and the Loan Documents to reflect that the Lender is acting as a lender and not an investor and accordingly, the Lender may request certain changes to make sure the closing documentation is consistent herewith.

Confidentiality: The Borrower acknowledges and agrees that this Term Sheet and the information set forth herein is confidential and proprietary, and further agrees to keep this Term Sheet and the information set forth herein CONFIDENTIAL. The Borrower shall not disclose this Term Sheet or any of its material terms to anyone, without the prior written consent of the Lender in each instance, except as such disclosure is required by law or regulation or as a result of any legal or administrative procedure.

Governing Law: State of Missouri

Thank you for providing the Lender with this opportunity to be involved in a financial partnership with the Borrower. The Lender is willing to discuss the terms reflected herein through 4:00 p.m. central time on September 20, 2022. After such date, terms, conditions and pricing may change based on prevailing market conditions and further discussion will be at the Lender's sole discretion. We are grateful for your consideration and remain available to promptly respond to any questions that you may have regarding this document. We look forward to hearing from you.

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EXHIBIT A

Principal Repayment Schedule

<u>Date</u>	<u>Principal</u>
4/1/2023	\$ 1,000,000
4/1/2024	1,000,000
4/1/2025	-
4/1/2026	<u>3,420,000</u>
Total	\$ 5,420,000

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EXHIBIT B

In the event Borrower requests Lender to move forward with the approval process after discussion of the aforementioned terms and conditions contained in the Term Sheet, Borrower agrees to reimburse Lender on demand for all out of pocket expenses incurred by Lender if the transaction fails to close for any reason other than Lender's decision not to approve the transaction. Such expenses shall include, but not be limited to, legal expenses incurred by Lender.

ACCEPTANCE:

Borrower does hereby agree to all provisions contained in Exhibit B.

City of Lee's Summit, Missouri

By: Bette Wordelman

Name: Bette Wordelman

Title: Finance Director

9-20-22