



TAX-EXEMPT OBLIGATION - PRIVATE PLACEMENT

Subject: Proposal for a Private Placement Tax-Exempt Obligation Financing for the City of Lee's Summit, Missouri General Obligation Bonds Series 2021.

Dear Mr. James Prichard:

Commerce Bank is pleased to present the City of Lee's Summit, MO with the following Term Sheet for funding the City of Lee's Summit General Obligation Bonds Series 2021 (the "Bonds") through Commerce Bank's wholly owned subsidiary, Clayton Holdings, LLC ("Clayton Holdings").

Please note that Clayton Holdings has not given final credit approval for the proposed financing; rather, this term sheet is intended to set forth the terms and conditions under which Clayton Holdings would consider financing the Bonds. Accordingly, this letter does not constitute a commitment by Clayton Holdings to provide financing, and notwithstanding any discussions we may have, Clayton Holdings shall not have any commitment or other obligation hereunder unless and until a commitment letter is signed and delivered to you.

Commerce Bank appreciates the opportunity to present this Term Sheet and looks forward to your favorable response. These terms and conditions are considered confidential and may not be disclosed to outside parties.

The primary contacts for this transaction are Mat Mower (Capital Markets Group) and Jason Boyer (Business Banking).

If you have questions or comments regarding the proposed financing detailed in the attached Term Sheet, please contact Mat Mower.

Respectfully submitted,

Mat Mower
Senior Vice President
Commerce Bank
Capital Markets Group
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mat.mower@commercebank.com

Jason Boyer
Vice President
Commerce Bank
Business Banking Group
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From: Mower, Mat Mat.Mower@CommerceBank.com
Subject: Rate lock on Lee's Summit 2021A
Date: December 22, 2020 at 8:01 AM
To: James Prichard jprichard@columbiacapital.com, Boyer, Jason Jason.Boyer@CommerceBank.com



Good morning -

the formula used to determine the tax exempt rate is (3 year US interest rate swaps plus 80 basis pts) X .79

Accordingly, 3 yr US interest rate swaps are at .25%. $(.25\% + .80) \times .79 = .83\%$ tax exempt

So the rate lock today will be at .83% tax exempt.

Jason – closing is still set for January 26th. With recent rate lock memos going around internally you may want to check with Matt Herries and see if we need to lock internal cost of funds as well.

Mat

Mat Mower

Senior Vice President, Fixed Income Trading & Underwriting
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Issue:	City of Lee's Summit, MO General Obligation Bonds Series 2021		
Issuer:	City of Lee's Summit, MO		
Borrower:	City of Lee's Summit, MO		
Original Purchaser/ Purchaser:	Clayton Holdings		
Placement Agent:	Commerce Bank Capital Markets Group (CMG) for placement fee of \$2000.00.		
Amount:	\$5,000,000.00		
Use of Proceeds/Purpose:	<p>Proceeds from the sale of the Bonds will be used with other funds for the purposes of acquiring land, making certain improvements and acquiring equipment for public safety purposes including (a) the acquisition, construction, furnishing and equipping of a new fire station and the purchase of associated apparatus to replace Fire Station No. 4, (b) the acquisition, construction, furnishing and equipping of a new fire station to replace Fire Station No. 5, (c) the acquisition and installation of new police automobile video systems and police body-worn camera systems, (d) renovations and improvements to enhance facility security, public access, customer service and operational efficiency in the Police and Courts Municipal Building and (e) purchasing and installing new infrastructure to renovate, improve and upgrade the City's wireless and fiber optic communications network among City Hall and other City facilities.</p>		
Security:	<p>The Bonds will be a general obligation of the City payable as to both principal and interest from ad valorem property taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the City.</p>		
Term:	Principal payments annually, beginning April 1, 2022 through April 1, 2023.		
	\$1,725,000.00	04/01/2022	
	\$3,275,000.00	04/01/2023	
Interest:	Interest on the Obligation will be paid semiannually beginning April 1, 2021 and will be computed on the basis of a 360-day year and must be exempt from federal income taxation.		
Prepayment:	None		

- Proposed Interest Rate:** 0.85% tax-exempt rate (Taxable Equivalent Yield of 1.09%). Tax-exempt rate can be locked within 35 days of closing and computed as follows:
- (3 Year US Interest Rate Swap + 80 basis pts) X .79%
- Fees:** Borrower will pay purchaser's legal fees of \$3000.00. Outside Counsel is expected to be Bryan Cave.
- Documentation:** All documentation shall be prepared by experienced "Red Book" counsel ("Bond Counsel") or by counsel to Clayton Holdings. All documentation must be satisfactory in form and substance to Clayton Holdings and its counsel.
- Taxability:** The Interest Rate is based on the assumption that the interest payments on the Bonds will be exempt from federal income taxation. The taxable equivalent yield at proposed rate of .85% is 1.09% (TEY is computed as follows: 3 Year Us Interest Rate Swap plus 80 basis points).
- The Bond documentation shall include provisions regarding events of taxability and change in tax laws including changes in tax rates to ensure no reduction in the economic yield to Clayton Holdings occurs.
- Opinion of Counsel:** Clayton Holdings shall be furnished with a letter or letters from attorneys for Borrower acceptable to Clayton Holdings, in form and substance satisfactory to Clayton Holdings, addressing the following matters:
- a. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.
 - b. The Bonds are payable as to both principal and interest from ad valorem taxes that may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.
 - c. The interest on the Bonds (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to

the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The Issuer has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

Financial Statements:

To the extent not available on the Borrower’s website or a national public market repository, Borrower shall furnish to Clayton Holdings’ Agent, within one hundred and eighty days (180) of the end of each fiscal year Borrower’s financial statements audited by an independent public accountant. The financial statement will include the balance sheet, income statement and cash flow statement of Borrower and a certification that no event of default exists.

CONDITIONS TO PURCHASE

The Financing Documents shall be in form and substance acceptable to Clayton Holdings and will include conditions precedent, representations and warranties, covenants, events of default, indemnification and other provisions customary for transactions of this type.

CONDITIONS PRECEDENT

Conditions precedent to the closing of the Bonds shall include, without limitation, the following:

- Closing Date:** January 26, 2021 or a to-be determined mutually agreed upon closing date.
- Due Diligence:** Satisfactory results of a due diligence investigation of the Borrower shall be acceptable to Clayton Holdings.
- Legal:** All legal matters, including income tax and regulatory matters, shall be satisfactory to Clayton Holdings.
- No Default, No Material Adverse Change:** No default or unmatured default shall exist on the Closing Date. No change in the condition (financial or otherwise) of the operations, performance, properties or prospects of the Borrower shall have occurred prior to Closing Date.

MISCELLANEOUS

- Costs and Expenses:** All costs and expenses incurred in the due diligence, preparation and administration of this transaction, shall be borne by the Borrower. Legal fees in the amount of \$3000.00 for purchaser's counsel will be charged to the Borrower.
- Website Disclosure:** As a best practice to maintain transparency, final Bond documentation may be posted by the Issuer on a national public bond market repository provided that certain information be redacted by the Issuer as directed by Purchaser or Purchaser's Agent. Items that should be redacted include, but are not limited to, pricing, financial ratio covenants, signatures/names, account numbers, wire transfer and payment information instructions, and any other data that could be construed as sensitive information.
- Additional Information:** Borrower shall provide additional information necessary to complete the due diligence process as may be reasonably requested by Clayton Holdings and shall authorize Clayton Holdings to make such inquiries and investigations as it deems advisable.
- Not a Commitment:** The terms set forth in this Term Sheet do not constitute all of the essential terms upon which agreement must be reached by the parties in order to form a binding and enforceable contract, and no binding and enforceable rights or obligations in favor of either party hereto are intended to be created hereby. No correspondence, oral statements or course of conduct between the parties shall alter the non-binding nature of this Term Sheet or the parties dealings, and either party shall be free at any time to terminate discussions or negotiations for any reason or no reason in its sole discretion (and neither party shall have any obligation to initiate or continue negotiations on any basis). A binding and enforceable contract between the parties shall only be created if a definitive written agreement is signed by both parties (and the execution and delivery of such a definitive written agreement by both parties shall be an express condition precedent to the formation of any contract between the parties, and the terms of any such contract shall be limited to the terms specifically set forth in such definitive written agreement).

Clayton Holdings is providing the information contained in this document for discussion purposes only in response to a request for proposal and/or request for information. Any future or potential transactions entered into between the Borrower and Clayton Holdings will be arm's-length commercial transactions. Clayton Holdings is not acting as a municipal advisor, financial advisor or fiduciary to the Borrower or any other person or entity. Clayton Holdings does not owe the Borrower a fiduciary duty pursuant to Section 15B of the Exchange Act of 1934. Clayton Holdings is acting for its own interests. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Borrower should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent the Borrower deems appropriate. If the Borrower would like a municipal advisor in this transaction who owes the Borrower legal fiduciary duties, then Borrower is free to engage a municipal advisor to serve in that capacity.

Acknowledged and Accepted:

Bette Wordelman
Signature

Print
Name: Bette Wordelman

Title: Finance Director

Date: 12-22-2020