



**City of Winston-Salem, North Carolina
\$30,000,000 Equipment Lease Financing (the "Financing")**

Term Sheet

April 5, 2017

Branch Banking and Trust Company (the "Bank") along with its designated affiliate (the "Purchaser") are pleased to submit the following summary of terms and conditions for discussion purposes only in order to facilitate further discussion. The term sheet is intended only as an outline of certain material terms of the requested Financing and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in any definitive documentation for the requested Financing and does not represent a commitment to extend credit or advance funds. The Financing will be structured as the purchase of bonds evidencing proportionate and undivided interests in the rights to receive Revenues under a Lease Agreement (the "Lease Agreement") between the City of Winston-Salem (the "City") and the North Carolina Municipal Leasing Corporation.

The City is headquarters to the Bank, which is among the nation's largest financial services organizations with \$219.3 billion in assets and market capitalization of \$38 billion as of December 31, 2016.

A. FINANCING DESCRIPTION	
<u>Borrower:</u>	The City.
<u>Amount:</u>	Up to \$30,000,000.
<u>Purpose:</u>	To finance the acquisition of certain real and personal property to be acquired by the City to be used in the fulfillment of essential government purposes.
<u>Individuals Representing the Bank/Purchaser:</u>	<ul style="list-style-type: none"> • Ben Staton, Regional Corporate Banking Manager, SVP. • Jason Marley, Commercial Credit Underwriter, VP. • Gina Cocklereece, Public Finance Originations Officer, SVP.

B. TERMS		
	<u>Option 1</u>	<u>Option 2</u>
<u>Funding:</u>	Fully-funded.	Draw-down.
<u>Origination Fee:</u>	None.	None.
<u>Unused Fee:</u>	None.	Annual unused fee equal to 0.08% of the unused amount of the Financing. Such fee shall be payable quarterly (i.e. 0.02%) in arrears.
<u>Interest Rate:</u>	Variable Rate of (68% of 1-Month LIBOR) + 0.39% or Fixed Rate of 1.70%*	Variable Rate of (68% of 1-Month LIBOR) + 0.39% The interest rate on the initial draw at closing may be fixed. For illustration purposes, the current fixed rate is 1.70%*. Future draws could also be fixed on a quarterly or semi-annual basis (each, a "Fixed Rate Date") at the then prevailing fixed rate. Between Fixed Rate Dates, such future draws would bear interest at the Variable Rate. Standard and customary conditions will apply should the City select the fixed rate option.
<u>Maximum Variable Interest Rate:</u>	20.00%	20.00%

* Fixed Rate is indicative as of April 5, 2017 and subject to change at any time based on market conditions.

C. FUNDING DIFFERENCES

<u>Option 1:</u>	The Financing must be fully funded at closing. Any proceeds of the Financing not advanced directly to the City at closing will be deposited into a project fund held at the Bank (the " <u>Project Fund</u> ") and invested in a Public Funds Money Rate Savings Account. Based on the early assumption of equal monthly draws from the Project Fund, the indicative deposit rate is 0.75% fixed for 24 months . The receipt of more detailed draw information could have a <u>positive</u> impact on this rate. The Bank will have a lien on unspent bond proceeds and funds held in the Project Fund.
<u>Option 2:</u>	This Financing may have an initial advance at closing with future advances over a period of <u>18</u> months, with a maximum of <u>9</u> total advances. At end of the 18-month draw period, any remaining bond proceeds may be deposited into an interest bearing Project Fund. The rate on that deposit will be set at the time of deposit based on the estimated remaining draw period.

D. TERMS AND CONDITIONS

<u>Repayment:</u>	Accrued interest will be payable semi-annually commencing August 1, 2017. Principal will be amortized in equal semi-annual payments commencing August 1, 2018 with the final balance due February 1, 2022.
<u>Lease Agreement:</u>	The Lease Agreement must be approved by the Bank and must provide rent sufficient to pay the principal and interest on the Financing. The City's payment obligations under the Lease Agreement must not be subject to annual appropriation, but rather, must constitute an unconditional obligation payable from the City's general fund.
<u>Interest Rate Terms:</u>	<p>While in a variable rate, the Financing may be prepaid at any time without premium or penalty. The interest rate will be computed on the basis of a 365-day year for the actual number of days elapsed. The variable interest rate will adjust monthly with changes in 1-Month LIBOR. The interest rate will be subject to increase in the event of a Determination of Taxability or decreases in the maximum statutory corporate marginal tax rate.</p> <p>If the City selects a fixed interest rate, the following terms shall apply:</p> <ol style="list-style-type: none">1. The fixed rate can be locked no more than ten (10) banking days prior to closing and funding.2. The Financing may be prepaid upon no less than seven days' notice to the Bank.3. Any prepayment of the Financing is subject to a minimum prepayment amount of 10% of the Financing balance or \$250,000, whichever is higher.4. A prepayment penalty will be payable based on the Bank's standard break funding formula for fixed rate loans.
<u>Default Rate:</u>	The greater of: (1) the Bank's Prime Rate plus 4.00% or (2) 6.00%.

<u>Reporting Requirements:</u>	The City must provide its audited financial statements to the Bank within 180 days of the end of each fiscal year.
<u>Increased Costs:</u>	The Bank's standard increased cost language will apply.
<u>Bond Counsel Opinion:</u>	The Purchaser/Bank shall receive an unqualified tax-exempt opinion of bond counsel relating to the Financing satisfactory to the Purchaser/Bank.
<u>Other Opinions:</u>	The Purchaser/Bank shall receive a legal opinion from of the City Attorney and counsel to North Carolina Municipal Leasing Corporation satisfactory to the Purchaser/Bank.
<u>Expenses:</u>	The City will pay the costs of the Purchaser/Bank associated with this transaction, including the costs of legal counsel, plus such counsel's out-of-pocket expenses, whether or not the Financing is closed. The Purchaser/Bank will be represented by Amy Johnson of Moore & Van Allen PLLC. Assuming that the City's Bond Counsel prepares the related Lease Agreement, the fees of Moore & Van Allen PLLC will not exceed \$25,000.
<u>Municipal Advisor Disclosure:</u>	The terms of the Financing described herein have been prepared by the Bank and the Purchaser solely for information purposes. The Bank and the Purchaser are not recommending an action or providing any advice to the City or North Carolina Municipal Leasing Corporation. Neither the Bank nor the Purchaser is acting as a municipal advisor or financial advisor. The Bank and the Purchaser are not serving in a fiduciary capacity pursuant to Section 15B of the Securities Exchange Act of 1934 with respect to the information and material contained in this communication. The Bank and the Purchaser are acting in their own interest. Each of the City and North Carolina Municipal Leasing Corporation is expected to seek the advice of the IRMA and any other professional advisors which they deem appropriate for the credit facility described herein, especially with respect to any legal, regulatory, tax or accounting treatment.
<u>Confidentiality:</u>	The terms of this Term Sheet are confidential and, except for disclosure on a confidential basis to the City's financial advisors, accountants, attorneys and other professional advisors retained by the City for use in connection with the proposed financing or as may be required by law, may not be disclosed in whole or in part by the City or any such financial advisors, accountants, attorneys or other professional advisors to any other person or entity without Bank's or Purchaser's prior written consent. If this Term Sheet is being delivered to a financial advisor or person other than the City, by receipt and use by such advisor or other person in connection with the proposed transaction, such advisor or other person agrees to be bound by the confidentiality terms set forth above.
<u>Expiration Date:</u>	This Term Sheet expires May 31, 2017, and, if accepted and a commitment letter is issued by the Bank and accepted by the Borrower and Lessee by such date, the closing must occur no later than July 31, 2017.