

Discussion Materials

Hampton (City of), Virginia



September 13, 2017



Overview of Bank RFP Results

- On August 14, 2017, on behalf of the City of Hampton, Virginia (the “City”), Davenport & Company LLC (“Davenport”), as financial advisor, distributed a Request for Proposals (“RFP”) to National, Regional, and Local financing institutions in order to assess current market interest rates for viable financing options.
- The responses to the RFP were due by 2pm, Richmond, Virginia Time on August 28, 2017.
- The RFP requested that the potential lenders take into consideration the following:
 - Issuance of a General Obligation Bond Anticipation Note, Series 2017 (the “2017 Note”) in an amount not to exceed \$9.25 Million in the form of a Direct Bank Loan.
 - The 2017 Note will be issued for the following purposes:
 1. Provide bridge financing to the Economic Development Authority (“EDA”) of the City for the acquisition of real property; and
 2. Pay the costs associated with the transaction.
 - Flexible prepayment provisions: The City plans on repaying the 2017 Note on or about January or February, 2018 or shortly thereafter upon issuance of its general obligation bonds for other City-related capital improvement needs.
 - ❖ However, the City requested a one (1) year final maturity for the 2017 Note to provide flexibility in the event of delay in the timing of the City’s planned 2018 general obligation bond issuance.
- The City received proposals from eight (8) banks:
 - Branch Banking & Trust Company (“BB&T”)
 - Capital One Public Funding (“Capital One”)
 - First-Citizens Bank & Trust Company (“First Citizens”)
 - JPMorgan Chase Bank, National Association (“JPMorgan”)
 - The Old Point National Bank (“Old Point”)
 - SunTrust Bank, Inc. (“SunTrust”)
 - Union Bank and Trust (“Union Bank”)
 - Wells Fargo Bank, National Association (“Wells Fargo”)

Comparison of Proposals



- Below, please find a summary comparison of the proposals Davenport received on behalf of the City.
- As demonstrated by the matrix below, BB&T provided a proposal which meets the requirements of the City at the lowest all-in financing costs and flexible prepayment provisions. Highlights of the key terms provided for in BB&T's proposal which address the City's requirements are as follows:
 - Full Par Amount up to \$9.25 Million in the form of a Direct Bank Loan.
 - Prepayment flexibility without penalty after January 1, 2018.
 - Fully credit approved as submitted.
 - Fixed interest rate held-firm through funding prior to October 12, 2017.
 - Final Maturity October 1, 2018.

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|------------------------------|-------------|-------------|----------------|-------------|-------------|-------------|-------------|-------------|
| | BB&T | Wells Fargo | First Citizens | JP Morgan | SunTrust | Union Bank | Capital One | Old Point |
| 1 Interest Rate | 2.07% | 2.08% | 2.19% | 2.19% | 2.22% | 2.25% | 2.39% | 3.70% |
| 2 Par Amount | \$9,250,000 | \$9,250,000 | \$ 9,250,000 | \$9,250,000 | \$9,250,000 | \$9,250,000 | \$9,250,000 | \$9,250,000 |
| 3 Interest Expense | 192,539 | 193,469 | 203,700 | 203,700 | 206,491 | 209,281 | 222,303 | 344,151 |
| 4 Subtotal Debt Service | 9,442,539 | 9,443,469 | 9,453,700 | 9,453,700 | 9,456,491 | 9,459,281 | 9,472,303 | 9,594,151 |
| 5 Vs. Low-Bid | n/a | \$ 930 | \$ 11,162 | \$ 11,162 | \$ 13,952 | \$ 16,743 | \$ 29,764 | \$ 151,613 |
| 6 Add: Lender's Counsel Fees | 6,000 | 10,000 | - | n/a | 2,500 | TBD | - | 10,000 |
| 7 All-in Financing Costs | \$9,448,539 | \$9,453,469 | \$ 9,453,700 | \$9,453,700 | \$9,458,991 | \$9,459,281 | \$9,472,303 | \$9,604,151 |
| 8 Vs. Low-Bid | n/a | \$ 4,930 | \$ 5,162 | \$ 5,162 | \$ 10,452 | \$ 10,743 | \$ 23,764 | \$ 155,613 |

Preliminary Timeline



| Date | Action / Task |
|-------------------------|--|
| September 13 | City Council Meeting. <ul style="list-style-type: none">▪ City Council holds Public Hearing on 2017 Note issuance.▪ Davenport presents 2017 Note RFP results.▪ City Council considers approving authorizing resolution for 2017 Note. |
| September 19 | EDA Board Meeting. <ul style="list-style-type: none">▪ EDA Board considers approval of Cooperation, Purchase/Acquisition, and Lease Agreements to facilitate the transaction. |
| On or Before October 12 | <ul style="list-style-type: none">▪ Close on 2017 Note.▪ Pay-off expiring Boo Williams loan. |
| November/December | Working Group begins coordinating on Permanent Financing. |
| Late January 2018 | Price Bonds / Permanent Financing. |
| Early / Mid February | <ul style="list-style-type: none">▪ Close on Bonds / Permanent Financing.▪ Pay-off 2017 Note. |

Municipal Advisor Disclosure



The enclosed information relates to an existing or potential municipal advisor engagement.

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport. Version 1.13.14 RT | RK | DR