MEMORANDUM
FINANCE DEPARTMENT

TO:	Mr. Thomas Thomas, City Manager	**Number:**	040 – 13
SUBJECT:	Line of Credit Commitment Letter	**Date:**	11-14-12

Staff has put together financing for the Price Properties project. After discussions with City's bond consultant, Kevin McCanna with Speer Financial, it was concluded that a short term loan would suit the project needs. Therefore, discussions began with several banking institutions. We have finalized these negotiations with American Bank being the lead bank and participating out with two other regional banks. Attached to this memo is the Commitment letter from American Bank for a $15 Million line of credit over a two year period. They will be providing $5 Million of this line of credit and participate the balance of this loan with Farmers and Mechanics Bank of Galesburg for $5 Million and Quad City Bank and Trust for $5 Million. These funds will be used to purchase property, move businesses, demolish and ready the property for sale to Price Properties.

Recommendation:
Council authorize the Mayor and City Clerk to enter into a Commitment with American Bank for the line of credit financing to be used to ready property for sale to Price Properties, LLC.

Submitted by: Cynthia Parchert, Finance Director
Jeff Eder, Community and Economic Development Director

Approved: Thomas Thomas, City Manager

AMERICAN BANK & TRUST
Success happens here.

October 26, 2012

City of Rock Island
Attn: Cindy Parchert
1528 3rd Ave
Rock Island, IL 61201

SUBJECT: Loan Commitments

American Bank and Trust Company, (Bank) hereby offers to make the following Commercial loan based upon and subject to the terms and conditions set forth herein:

1. **BORROWER:** The Borrower is **City of Rock Island.**

2. **DESCRIPTION:** A loan to establish a closed-end Line of Credit which will provide funds necessary to purchase roughly 23 acres of land in Rock Island for future development by Price Properties, LLC.

3. **AMOUNT:** The amount of the loan will not exceed **$15,000,000.00.**

4. **TERM:** A **2-year** loan.

5. **INTEREST RATE:** The interest rate shall be equal to **30-day LIBOR plus 1.80%, fully variable, with a floor of 2.00%.**

   30-day LIBOR rate is currently 0.21450%.

6. **PAYMENTS:** Monthly interest payments will be paid on the outstanding principal balance. The unpaid balance of principal and interest will be due at maturity. The first payment will be due as stated on the note.

   LATE PAYMENT CHARGE: If the loan payment is not received by the Bank within fifteen days of the scheduled payment date, the Borrower will pay a 5% late charge.

7. **PREPAYMENT:** The Borrower shall have the right to prepay the loan prior to maturity without penalty.

8. **LOAN FEE:** The loan fee shall be **$750.00.**

   Additionally, there will be an Un-used Line of Credit Fee Charged Quarterly. The fee will amount to **.10% of the Average Daily Unused Portion** of the Line of Credit.

9. **COLLATERAL:** The loan shall be unsecured.

10. **MUNICIPALITY INFORMATION:** Borrower agrees to provide at least 3 days prior to closing the following corporate documentation:

A. Board Minutes approving purchase of land and Price Properties, LLC Development Project.

11. **FINANCIAL INFORMATION:** Borrower agrees to provide the following during the term of this loan.

A. A copy of the annual year-end audited business financial statements of:
   - City of Rock Island

12. **CLOSING COSTS:** Borrower shall pay all of Bank's out-of-pocket costs (including, but not limited to, attorneys' fees and legal expenses) pertaining to the preparation of the loan documents and the closing and administration of the loan. Additional examples of such cost are overnight and other mail charges, and other expenses related to the loan.

13. **CONDITIONS:** This commitment has the following conditions:

A. Subject to the Bank successfully participating any portion of this loan in excess of the Bank's legal lending limit.

14. **DEPOSIT RELATIONSHIP:** Borrower agrees to maintain it's primary deposit relationship at American Bank.

15. **PRE-LOAN DOCUMENTATION:** A list of required pre-loan documentation has been attached to this commitment letter for your convenience in gathering this information for submission to Bank.

If you find the above commitment to be acceptable, please sign this original letter and return it to the Bank. A copy is enclosed for your future reference. This commitment must be accepted by November 22, 2012 or it will become null and void. If the commitment is accepted, funding of this request must occur on or before December 26, 2012 , if not, this commitment becomes null and void. This commitment supersedes any prior commitment letters, correspondence or conversations

American Bank and Trust Company

BY: ________________________________

Robert D. Krohn, Senior Vice President

This commitment letter is accepted this ________ day of ____________________, 2012.

City of Rock Island

____

Aleisha L. Patchin, City Clerk

____

Dennis E. Pauley, Mayor