CITY OF COFFEYVILLE **BOARD OF COMMISSIONERS AGENDA ITEM**		
MEETING DATE	December 27, 2016	
RESOLUTION OR ORDINANCE NUMBER	R-16-156	
AGENDA TITLE	**A RESOLUTION AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE A LEASE PURCHAASE AGREEMENT BETWEEN THE CITY OF COFFEYVILLE AND COMMERCIAL BANK TO FINANCE THE PURCHASE OF A SMEAL CUSTOM SIDE MOUNT PUMPER FIRE TRUCK.**	
REQUESTING DEPARTMENT	Finance Department	
PRESENTER	Stephanie A. Richardson, Finance Director	
FISCAL INFORMATION	Cost as recommended:	$582,645.20 including interest
	Budget Line Item:	500-5-041-910 / 920
	Balance Available	$58,400 annually for 10 years
	New Appropriation Required:	[ ] Yes [X] No
PURPOSE	Authorizes execution of a lease purchase agreement for financing the purchase of a new fire truck.	
BACKGROUND	Fire Chief, James Grimmett proposed and the commission approved the purchase of a new fire truck on July 12, 2016. The purchase price of the truck was $493,568. During the 2017 budget discussions, city staff budgeted $58,400 annually for 10 years to be used to make lease payments for the truck. Payments will be made from the Capital Equipment Fund.	
SPECIAL NOTES	The city was recently notified of a FEMA grant award for the purchase of this new fire truck. Since the award notification, FEMA has requested additional information related to the use of this new vehicle. As a result, the	

grant award is now in question. Staff has been in contact with FEMA, but has been unable to ascertain the status of the grant. As a precautionary measure, it was determined to proceed with the RFP process for financing prior to any anticipated rate increases in December 2016.

ANALYSIS

Staff requested lease purchase information from eight (including five local) banks who have shown an interest in lease purchase programs with the city. Bids were received on December 14th. The following bids were received:

	7-Yr Option		10-Yr Option	
	Rate	Payment	Rate	Payment
Arvest Bank	2.85%	$39,161.97	N/A	N/A
Commercial Bank	3.06%	$39,433.34	3.27%	$29,132.26
Community National Bank	3.60%	$40,098.04	3.70%	$29,749.83

The funding source for these payments is from the Capital Equipment Fund. The revenues generated for this fund is from 20% of a ½ cent sales tax passed by voters and budgeted to be $171,000 annually. These funds are used to purchase equipment for all General Fund departments. Since there are always more equipment requests than we have funds for, staff feels it is important to adhere to our budgeted annual payment amount to allow other departments to continue their equipment replacements as scheduled.

Following that logic, accepting Commercial Bank's 10-year proposal would be the best option. While this option does not provide the most savings in financing costs, it does allow the city to continue equipment replacement while maintaining a reasonable reserve balance in case of emergencies.

Interest rates have increased since receiving these RFP responses. Staff contacted Aaron Heckman, VP and Branch Manager of Commercial Bank and he has agreed if the city accepted their bid prior to year-end

	they would honor the bid until after the 1st of the year to allow us to obtain a determination by FEMA. It is anticipated the first payment is due to the truck manufacturer during the first quarter of 2017. If FEMA funding has not been approved by that time, the lease purchase agreement would be executed. If the FEMA grant is approved at a later date, there is no prepayment penalty for using those grant funds to pay off this debt issued.
PUBLIC INFORMATION PROCESS	The RFP was mailed directly to eight banking institutions.
BOARD OR COMMISSION RECOMMENDATION	N/A
STAFF RECOMMENDATION	After review of all of the proposals, staff recommends executing a lease purchase agreement between the City of Coffeyville and Commercial Bank to finance the purchase of the Smeal Custom Side Mount Pumper fire truck.
REFERENCE DOCUMENTS ATTACHED	Commercial Bank RFP Response and Sample Lease Purchase Agreement.

RESOLUTION NO. R-16-156

A RESOLUTION AUTHORIZING THE MAYOR AND CITY CLERK TO EXECUTE A LEASE PURCHASE AGREEMENT BETWEEN THE CITY OF COFFEYVILLE AND COMMERCIAL BANK TO FINANCE THE PURCHASE OF A SMEAL CUSTOM SIDE MOUNT PUMPER FIRE TRUCK.

BE IT RESOLVED by the Board of Commissioners of the City of Coffeyville, Kansas that the Mayor and City Clerk is hereby authorized and directed to execute a lease purchase agreement between the City of Coffeyville and Commercial Bank to finance the purchase of a Smeal Custom Side Mount Pumper for the Fire Department.

ADOPTED THIS 27TH DAY OF DECEMBER, 2016.

_____
Christopher V. Williams, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

Commercial Bank
Serving Southeast Kansas Since 1874!

December 14, 2016

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City of Coffeyville
Attn: Cindy Price, City Clerk
PO Box 1629
Coffeyville, KS 67337

Re: Equipment Financing for Fire Truck

Dear Cindy:

Please accept our bid in response to your request for a lease purchase agreement proposals dated December 3, 2016.

Amount	$493,568.00	$493,568.00
Estimated Lease Date	12/31/16	12/31/16
Rate	3.06%	3.27%
Term	7 years	10 years
Rentals Pymts per Year	2	2
Rental Pymt	$39,433.34	$29,132.26
Advance Pymts	0	0
Residual Amt	$1.00	$1.00
Equipment	Fire Truck, Smeal Custom Side Mount Pumper, Smeal Sirius II/Metro Star 4-Door Chassis	Fire Truck, Smeal Custom Side Mount Pumper, Smeal Sirius II/Metro Star 4-Door Chassis

Please don't hesitate to contact me at one of the numbers listed below if you have any questions. Thank you for the opportunity to provide this proposal. I look forward to working with the City of Coffeyville.

Sincerely,

Aaron Heckman, V.P. & Branch Manager
Commercial Bank - Coffeyville

Appendix "A"
Additional Information Requested

A. Provide an overview of the firm's experience in providing master lease/note finance agreements.

- Commercial Bank has provided financing to public entities in Southeast Kansas since its founding over 142 years ago. We continue to meet the financing needs of city and county governments, school districts, and other governmental entities within our trade area.

B. Describe the firm's municipal leasing experience in the State of Kansas.

- Commercial Bank regularly provides municipal lease financing in the State of Kansas. We are experienced in meeting the needs of Kansas based entities and conforming with Kansas rules and regulations.

C. Provide a list of at least three current clients that may be contacted as references.

- Labette County
- City of Parsons
- City of Independence
- City of Oswego
- U.S.D.'s 503, 506, 413, 446

D. Identify the principal contact that will assume primary responsibility for managing the City's lease purchase agreement, including telephone/fax number and email address.

- Aaron Heckman, V.P. and Branch Manager
  Commercial Bank – Coffeyville
  620-251-0200
  aheckman@commercialbank.net

E. List the personnel, including name, title, and resume, who will communicate with the City on individual drawdowns.

- Aaron Heckman, V.P. and Branch Manager
  Resume attached

F. The City expects the finance leases to be held by the provider for its own account. If you propose a different arrangement, please specify your proposed alternative.

- Commercial Bank with not sell or assign the lease. It will be held.

G. Indicate the intended method of placement, if the obligations are not intended to be held by the firm (e.g., private placement, certificate of participation).

- NA

H. Indicate separately any administrative fee to be added to each funding request and any prepayment penalties for early redemption.

- There will be no fee for funding requests.
- There will be no prepayment penalty.

I. Identify any up-front costs of each drawdown and any prepayment penalties proposed.

- None

J. Describe the scope and extent of the security interests expected under the firm's required equipment finance proposal. Indicate whether or not additional fees would be charged if the scope or extent of the firm's security interest in the assets being acquired is reduced as principal is repaid.

- Commercial Bank will take a security interest in the equipment leased.
- No additional fees would be incurred as principal is repaid.

K. Indicate whether assignments of the firm's interest in the finance agreement are expected and whether any additional fees will be charged if the Lessee's/Borrower's consent to an assignment is required (not to be unreasonably withheld, so long as appropriate documentation is provided to and by the Assignee).

- Commercial Bank does not intend to assign the lease to a third party. The lease would be held.

COPY

Appendix "A"
Additional Information Requested

L. Indicate any ongoing disclosure required for the program.

- The City of Coffeyville would provide annual financial information during the term of the lease.

M. Include any other relevant information the City should consider in evaluating the firm's qualifications or proposal.

- None

N. Include a copy of your standard Lease Purchase Agreement and any other relevant documents you use in lease finance transactions both at initiation and for individual originations.

- Attached

COPY

AARON VR HECKMAN

EDUCATION

1998-1999	Associate of Arts, Coffeyville Community College 3.8 GPA
2000-2002	B.S. Business Finance, Minor: Economics, Baker University 3.29 GPA
April 2003	School of Lending Principles, Schools of Banking
December 2015	Graduate, Economic Development Institute, University of Oklahoma

EMPLOYMENT

2016 - Current	*Vice President and Branch Manager, Commercial Bank - Coffeyville*
2013-2016	*Executive Director, Montgomery County Action Council*
2004-2012	*Chief Operating Officer, East Central Kansas Economic Opportunity Corporation, ECKAN*
2002-2004	*Assistant Manager / Loan Officer, Peoples Bank*

CURRENT/PAST ACHIEVEMENTS, MEMBERSHIPS, & COMMUNITY INVOLVEMENT

Board Member, Kansas Economic Development Alliance - Workforce Development Co-Chair, SEK Inc. - President, St. Andrew's Catholic School Council - Graduate, Leadership Coffeyville - Certified Community Action Professional - Board Member, Kansas Association of Community Action Programs - Vice President, Region VII Association of Community Action Programs - Commissioner, City of Ottawa Planning and Zoning Commission - Graduate, Leadership Franklin County - Delta Mu Delta Business Honor Society - Phi Beta Kappa Honor Society - Volunteer, C.A.S.A. - Past President, Board of Directors, Franklin County Daycare - NJCAA Academic All-American - W.I. Boone Scholarship recipient - Knights of Columbus - High score at Baker University and top 10% nationally on the E.T.S. national business school exit exam

COPY

Standard contract that will be amended to fit the terms of your RFP dated December 5, 2016

LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT is made and entered into by and between the Lessor and Lessee, with the Effective Date set forth below.

1. Definitions. For purposes of this Lease-Purchase Agreement, the following terms shall have the respective meanings set forth below:

LEASE: This Lease-Purchase Agreement dated as of the Effective Date, by and between the Lessor and Lessee.

ORIGINAL LEASE BALANCE:	$493,568.00
EFFECTIVE DATE:	TBD
TERMINATION DATE:	TBD
LESSOR:	Commercial Bank
LESSEE:	City of Coffeyville
LEASE PAYMENT:	$TBD

PROPERTY: The property that is the subject of this Lease and that is described on Exhibit "A" which is attached hereto and by reference made a part hereof.

LEASE TERM: The period beginning on the Effective Date and ending on the Termination Date, unless earlier terminated pursuant to the terms of the Lease.

RENTAL PAYMENTS: The payments due in the amounts and upon the dates set forth on Exhibit "B" which is attached hereto and by reference made a part hereof.

OPTION PRICE: One Dollar ($1.00), which is payable upon the Lessee exercising its Purchase Option pursuant to the terms of the Lease.

PURCHASE PRICE: The sum of the Option Price plus all remaining Rental Payments due to be paid on the date that Lessee exercises its option to purchase the Property.

INTEREST RATE:	TBD%
PROPERTY INSURANCE DEDUCTIBLE:	$500.00
PUBLIC LIABILITY COVERAGE:	$1,000,000.00 Minimum
PUBLIC LIABILITY DEDUCTIBLE:	$1,000,000.00 Maximum

COPY

Standard contract that will be amended to fit the terms of your RFP dated December 5, 2016

2. Lease. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the Property for the Lease Term in exchange for the Rental Payments.

3. Rental Payments. The rent for the leased equipment shall be in the amount stated in Exhibit "B". If Lessee shall be in default of any sum of money to be paid under this Lease, Lessee shall pay a late charge equal to 10% of such unpaid amount due, plus any collection charges incurred by use of an independent collection agency, in the event such payment, or any part of the payment, remains unpaid for more than 10 days. Lessee shall pay rent, without deduction or offset, in the amounts and at the time shown in Exhibit "B". Rent shall be payable at Lessor's office or at such other place as Lessor may from time to time designate in writing. Lessee's obligations under this Lease is not subject to cancellation, termination, modification, repudiation, excuse, set-off, or substitution, and are irrevocable and independent of Lessor's obligations.

4. Rent as Current Expense. Lessee's obligation to pay the Rental Payments in the amounts and on the due dates set forth on Exhibit "B" shall constitute a current expense of Lessee and shall not be construed to be a debt of Lessee in violation of any constitutional or statutory limitations concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or moneys of Lessee.

5. Purchase Option. Lessee shall have the option to purchase the Property, but only if Lessee is not in default under the Lease. Lessee may exercise its option to purchase the Property on any Rental Payment due date by paying the Purchase Price, provided that Lessee shall give Lessor not less than thirty (30) days advance written notice of its intention to exercise its option to purchase.

6. Transfer of Title. During the Lease Term, title to the Property shall be vested in Lessor. Upon Lessee's exercise of the option to purchase and the payment of the Purchase Price, title to the Property shall be conveyed to and vested directly in Lessee, and Lessor shall execute and deliver to Lessee a Bill of Sale for the Property and such other and further instruments and assurances as may be reasonably necessary to transfer the Property to Lessee.

7. Maintenance and Operation: During the Lease Term, Lessee shall, at its own expense, maintain or cause to be maintained the Property in good order, condition and repair, and Lessor shall have no obligation to incur any of said expenses; provided, however, that if Lessee fails to keep the Property in good repair and operating condition, Lessor may, but shall be under no obligation to, make such repairs as are necessary and to provide for the payment thereof, and all such amounts so advanced by Lessor shall be repaid by Lessee as an additional amount for which Lessee becomes obligated hereunder, and Lessee hereby agrees to pay any such additional amount, plus interest at the Interest Rate, for which it may become obligated hereunder. Lessor, at its option, may request that Lessee enter into a maintenance contract for the Property with the vendor of the Property or otherwise.

8. Use of the Property. The parties mutually agree that Lessee, by performing the covenants and agreements herein contained, shall during the Lease Term, peaceably and quietly have, hold and enjoy the Property. Lessee will not install, use, operate or maintain the Property improperly, carelessly, in violation of any applicable law, or in any manner contrary to that contemplated by this Lease and the nature of the property. The Property will be used only for governmental or proprietary purposes of Lessee; therefore, the parties contemplate that the Property will be

COPY

exempt from all taxes presently assessed and levied with respect to personal property. In the event that the use, possession or acquisition of the Property is found to be subject to taxation in any form, Lessee will pay during the Lease Term all taxes and governmental charges whatsoever that may be lawfully assessed or levied against or with respect to the Property. Lessee shall keep the Property free and clear of all liens, charges and encumbrances, except as may be approved in advance in writing by Lessor; provided, however, that nothing in this Lease shall preclude Lessee from pledging its full faith and credit to the repayment of any legally authorized general obligation bond issue of Lessee.

9. Insurance. During the Lease Term, Lessee shall maintain or cause to be maintained, at its own expense, the following policies of insurance:

(a) Insurance against loss or damage to the Property resulting from fire, lightning, vandalism, malicious mischief and such perils ordinarily defined as "extended coverage" and other perils as Lessor and Lessee may agree. Such insurance shall during the Lease Term be in an amount not less than: (1) the full insurable value (i.e., the actual replacement cost "new") of the Property, or (2) the then current Purchase Price, whichever is more, subject to the Property Insurance Deductible, and shall contain an inflation guard endorsement.

(b) Public liability insurance against claims for bodily injury, death, or damage to property occurring upon, in, or about the Property, such insurance to provide coverage in an amount not less than the Public Liability Coverage, subject to the Public Liability Deductible.

All insurance policies shall be issued by insurers of recognized responsibility, licensed or admitted to do business in the state of Kansas. All policies or certificates of insurance shall name Lessee and Lessor as named insured's. Such policies and certificates shall not be cancelled or materially changed without at least thirty (30) days prior written notice to Lessor, and shall carry loss payable endorsements in favor of Lessor where applicable. Evidence of coverage satisfactory to Lessor shall be deposited with Lessor by Lessee. All premiums and charges shall be paid by Lessee, and evidence of payment of the premiums shall be delivered by Lessee to Lessor. In the event Lessee fails to maintain the insurance required, Lessor shall have the right to procure and maintain such insurance and shall charge Lessee for the cost thereof as an additional amount for which Lessee becomes obligated hereunder. Lessee may provide such insurance as part of "blanket" coverage maintained on all assets of Lessee, and with the written consent of Lessor may be a self-insurer of such risks. If the insurance proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement, Lessee shall complete the work and pay any cost in excess of the insurance proceeds.

10. Indemnification. Lessee shall indemnify, protect, and hold harmless Lessor from and against any and all liabilities, obligations, losses, claims, and damages whatsoever, including without limitation, attorney fees and expenses, arising out of or as the result of this Lease, the ownership of the Property, or any accident in connection with the operation, use, condition, possession, storage or return of the Property.

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11. Right of Inspection. Lessor and its designated representative shall have the right during regular business hours to enter into and upon the premises of Lessee to inspect the Property or for any purpose connected with Lessor's rights under this Lease.

12. Triple Net Lease. This Lease shall be deemed and construed to be a "triple net lease" in that Lessee hereby agrees that the Rental Payments provided for herein shall be an absolute net return to Lessor, and that Lessor shall not be responsible for any expenses, charges or set-offs whatsoever related to the operation, maintenance and repair of the Property.

13. Termination of Lease Term. The Lease Term will terminate upon the earliest occurrence of any of the following events:

a) The expiration of the Lease Term;

b) The exercise by Lessee of the option to purchase granted under Paragraph 5;

c) A default by Lessee and Lessor's election to terminate this Lease;

d) The payment by Lessee of all Rental Payments and all additional amounts for which Lessee may become obligated under this Lease;

e) Upon notice of election to terminate the Lease due to an event of taxability pursuant to Paragraph 15 hereof, and the failure of Lessee to exercise its option to purchase at the next regular Rental Payment due date.

14. Non-appropriation. Lessee shall use its best efforts to include the Rental Payments for each fiscal year in its budget for such fiscal year and further shall make the necessary appropriations for all such Rental Payments. In the event sufficient funds are not budgeted and appropriated by Lessee for any fiscal year to provide for the Rental Payments required hereunder or any other obligation of Lessee, then Lessee shall terminate this Lease by providing thirty (30) days written notice to Lessor of Lessee's intent to terminate. In such event, the Lessee shall not be obligated to make the Rental Payments beyond the end of the period for which Lessee has budgeted. Lessee shall surrender the Property to Lessor on the last day for which Rental Payments have been made. Upon such early cancellation, Lessee may not thereafter acquire functionally similar property for the full original Lease Term. If funds are made available to Lessee after such early cancellation for property which will perform services and function in full or in part the same as the Property, Lessee agrees to purchase, lease or otherwise acquire such property from Lessor. The non-payment of any Rental Payment pursuant to this paragraph shall not constitute a default under this Lease.

15. Occurrence of an Event of Taxability. Lessor and Lessee contemplate that the interest component of the Rental Payments paid by Lessee will not be included in Lessor's gross income for purposes of federal income taxation. In the event that Lessee or Lessor are advised that the interest component of the Rental Payments is or has become includable in gross income for purposes of federal income taxation, Lessor (or its assigns) may elect in writing to terminate this Lease at the next regular Rental Payment due date, subject only to Lessee's option to purchase as granted in Paragraph 5 of this Lease.

COPY

16. Disclaimer of Warranties. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY. In no event shall Lessor be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Lease or the existence, furnishing, functioning of Lessee's use of any item or products or services provided for in this Lease. Lessor hereby irrevocably appoints Lessee as its agent and attorney-in-fact during the Lease Term, and so long as Lessee shall not be in default hereunder, to assert from time to time whatever claims and rights, including warranties of the Property, which Lessor may have against the vendor of the Property. Lessee's sole remedy for the breach of such warranty, indemnification or representation shall be against the vendor of the Property, and not against Lessor, nor shall such matter have any affect whatsoever on the rights and obligations of Lessor with respect to this Lease and its right to receive full and timely Rental Payments hereunder. Lessee expressly acknowledges that Lessor makes and has made no representation or warranties whatsoever as to the existence or availability of such warranties by the vendor of the Property.

17. Assignment. Neither this Lease nor any interest of Lessee herein shall be mortgaged, pledged, assigned or transferred by Lessee, without the prior written consent of Lessor. Lessee shall at all times remain liable for the performance of the Lease, notwithstanding any assigning, transferring or subletting which may be made. In no event shall Lessee sublease or permit the use of all or any part of the Property so as to cause the interest component of the Rental Payments to become includable in Lessor's gross income for computation of federal income taxation. Lessor shall have the right to assign its interest in this Lease and the Rental Payments to another party, and Lessee agrees to execute any and all documents necessary and proper in connection therewith.

18. Default by Lessee. If: (i) Lessee fails to pay any Rental Payment or other payment within fifteen (15) days from the date it is due and payable; (ii) Lessee fails to observe and perform any other term, covenant or condition contained herein for a period of thirty (30) days after written notice thereof from Lessor to Lessee; (iii) Lessee abandons the Property; or (iv) Lessee's interest in this Lease or any part thereof is assigned or transferred without the written consent of the Lessor, then Lessee shall be deemed to be in default hereunder. If Lessee is in default, Lessor shall have the right, at its option, and without any further demand or notice:

a) to terminate this Lease and to take possession of the Property, using all necessary force to do so, and sell the Property;

b) to take possession of the Property and without terminating this Lease re-let the Property upon such terms and conditions as Lessor may deem advisable, in which event the rents received on such re-letting shall be applied first to the expense of reletting and collection, including any necessary renovation and alteration of the Property, reasonable attorney's fees and costs of suit in equity or action at law to enforce the terms and conditions of this Lease, and thereafter toward payment of all sums due or to become due Lessor hereunder. If a sufficient sum shall not be thus realized to pay such sums and other charges, Lessee shall remain liable for and will pay Lessor any cumulative net deficiency. The foregoing remedies of Lessor are in addition to and not exclusive of any other remedy of Lessor. Any repossession of the Property shall be allowed by Lessee without hindrance.

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Standard contract that will be amended to fit the terms of your RFP dated December 5, 2016

19 Miscellaneous. This Agreement may be amended, modified or supplemented only by the written agreement of all parties hereto. The waiver or failure to insist upon strict compliance with any obligation, representation, warranty, agreement or condition hereunder shall not operate as a waiver of any subsequent non-compliance. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. This Agreement embodies the entire agreement and understanding of the parties. This Agreement supersedes all prior discussions, negotiations, agreements and understandings between the parties. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Kansas. This Lease may be executed in one or more counterparts, each of which shall be deemed to be an original, but which together shall constitute one original.

IN WITNESS WHEREOF, the parties have hereunto set their hands the day and year first above written.

City of Coffeyville, Kansas
"Lessee"

BY: _____

Name:
Title:

(Seal)

ATTEST:

BY: _____

Name: _____

Title: _____

Commercial Bank
"Lessor"

BY: _____

Name:
Title: Officer, Commercial Bank

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