



Caterpillar Inc.

100 NE Adams Street
Peoria, Illinois 61629

January 20, 2010

Re: Caterpillar Visitor Center and Museum Block Redevelopment Project

Dear Peoria County Board Member:

As you know Caterpillar has long been a vocal proponent of the Museum Block Redevelopment project. We've been a member of the Museum Collaboration Group (MCG) and participated in negotiations with the city and county regarding the project. The Caterpillar Foundation has committed to a \$13.5 million donation for the Peoria Riverfront Museum (PRM) campaign. In addition, Caterpillar Inc. has committed \$1.6 million for the community parking deck and we have agreed to invest another \$37 million for the Caterpillar Visitor Center – a total commitment of more than \$52 million.

In 2009 the MCG, with county board input, developed a slate of initial PRM board members, bylaws that would govern operation of the museum and a Redevelopment Agreement – three vital components needed for the project to move forward and qualify for a separate 501C(3) designation. The MCG and Caterpillar also worked together on the project's funding shortfall and identified \$5 million in New Market Tax Credits ("credits") that would fill the funding gap.

Last summer, following the successful referendum, it seemed the project would be underway – until county officials directed the MCG to stop work pending further notice. This surprise move – and subsequent three-month silence from county representatives – resulted in the loss of \$5 million in tax credits. The county finally came forward last fall and rejected the PRM board members we had already agreed upon. Thereafter, county and MCG representatives met repeatedly to review the bylaws and governance. Little progress was made. And today the project continues to lose critical time and momentum. New Market Tax Credits have likely been lost, and we face the risk of cost escalation.

It appears that failure to reach agreement on these critical governance issues was largely the result of unreasonable new demands from county officials. We have reviewed the county's demands and conclude that they would so constrain the PRM as to doom it to failure. For example:

- Language that would prohibit anyone associated – or previously associated – with a member organization of the MCG from serving as an At-Large representative on the PRM board. The effect of this demand would exclude the very people who have enthusiasm for the museum project and experience operating and governing a successful museum.
- The Peoria County Board's demand for sole discretion over PRM Articles of Incorporation, by-laws and other organizational documents and the power to unilaterally change those provisions at any point. In effect the Peoria County Board – the building landlord – would have complete control over the museum's operation and future. While it's appropriate for the county to manage the property, it is entirely inappropriate for it to exercise control over the operation of the museum. This is not the plan outlined to the community when voters approved the museum referendum.

The bottom line is that museum governance configured as the county demands stands little chance of success, and we are not willing to participate in such a venture. For that reason we are putting the Peoria County Board on notice that the time for negotiations and inaction has ended. Delays have cost our community \$5 million in New Market Tax Credits. And without immediate action, the project faces the prospect of additional delays that could result in higher construction costs.

The questions for Peoria County Board members are: Will the Peoria County Board accept the reality that museum professionals and dedicated, knowledgeable community volunteers must be engaged in planning and managing the operation of the museum in order for it to be a self-sustaining enterprise? And, will the Peoria County Board make the project whole for the \$5 million dollars in New Market Tax Credits lost as a result of the delays we've already endured?

Our message to the Peoria County Board is clear: We must have a deadline or the work for the museum project will continue to languish; the county must modify its governance demands to allow museum activists and professionals to run the PRM; and the Board must help close the funding gap caused by the loss of New Marketing Tax Credits ... the county's contribution needs to be the full \$40 million authorized.

In the absence of a positive response from the Peoria County Board by February 12, 2010, Caterpillar doesn't believe this project can be viable. Failure to move forward in a responsive manner will result in Caterpillar withdrawing its funding commitment for a PRM and termination of our plans to move forward with the Caterpillar Visitor Center.

Given the enthusiasm we experience around the world when we undertake new investments in communities, it is incomprehensible that policymakers in our own community would fail to champion a project of this magnitude. The construction jobs; \$135 million investment; visitor dollars generated during its operation and the positive impact on anticipated additional riverfront/warehouse development would all be lost.

This would be a tremendous missed opportunity for Peoria and Central Illinois, but it would be irresponsible to continue in the current direction.

Sincerely,



Jim Owens
Caterpillar Chairman and CEO



Douglas R. Oberhelman
Caterpillar Vice-Chairman and CEO Elect

Cc:

Thomas O'Neill , Peoria County Board Chairman
William Prather, Peoria County Board Vice-Chairman
Patrick Urich, Peoria County Administrator
Mayor Jim Ardis
Dave Ransburg
Bud Grieves

County Board Members:

Bonnie J. Hester	Stephen Morris	G. Allen Mayer	Brad Harding
Junior Watkins	Merle Widmer	James C. Dillon	Patricia Hidden
Lynn Scott Pearson	Robert Baietto	Phillip Salzer	Bud Sous
Andrew Rand	Michael Phelan	Brian Elsasser	Carol Trumpe